## FINANCIAL TIMES



Turin agenda Shaping the EU's future

**Lesson from Taiwan** 

What China could learn



**Ouiet revolution** Squaring the



Today's surveys

Portuguese banking

Separate sections

### to decide on **English-only law**

The US Supreme Court is to decide on the constitutionality of an Arizona law which bars the use of any language other than English by state employees performing official duties. The issue has raised high passions in the election campaign, with both Senator Bob Dole, the presumptive Republican presidential nominee, and his only remaining chal-lenger, conservative commentator Pat Buchanan, arguing that English should be declared America's official language. Page 14

Murdoch's Star TV targets China: Rupert Murdoch's Hong Kong based Star satellite television service unveiled a new broadcast network aimed at improving its access to the Chinese market. How-ever. Beijing officials were sceptical about these latest attempts to secure e stronger presence on the mainland. Page 14; New move to catch that falling

Giscard to bow out as UDF leader: Valery Giscard d'Estaing, the former French president, was set to bow out as leader of the Union pour La Democratie Française (UDF), junior partner in the ruling

Daewoo lets Austrian group plan lapse: A letter of intent signed by Korean car maker Daewoo to buy a majority stake in Steyr-Daimler-Puch, the Austrian vehicle engineering group, has expired without the deal being completed. Page 16

**Incheape looks to distribution:** Incheape, the international marketing and services group, could raise more than £300m (\$459m) from the sale of its testing services division as part of a strategy of focusing on its distribution businesses. Page 21

Bilfinger & Birger, the German construction group, is estimated to heve incurred a £9m (\$14m) loss on the sale of its 9.7 per stake in Birse, the UK construction group, Page 21

France to reduce border controls: France is to lift controls on its borders with Spain and Germany, two fellow members of the European Union's Schengen agreement on open borders. Page 3

Burman in \$37m disposal to Norsk: Burmah Castrol, the lubricants, chemicals and fuels group, Is selling its service station business in Sweden to Norsk Hydro, Norway's biggest quoted company, for £24m (\$37m). Page 20

Belgacom, the partially-privatised telecommunications company, increased net profits in its final year of full state ownership from BFr9.7bn to BFr10.7bn (\$353m). Page 15

OECD statement on UK jobless: Unemployment could fall much further in the UK without triggering inflation, the Organisation for nomic Co-operation and Development believes.

Compaq Computer, the world's largest personal computer manufacturer, is to launch products designed to break into the rapidly growing market for computer networking equipment. Page 19

**Israel hits election campaign trail:** Israel's election campaign hit full stride with members of the governing Labour party voting in Americanstyle primaries to set a list of candidates ahead of the national poll on May 29. Page 14

South Korea to Invest \$13m in N Ireland: A small South Korean machine tools company is to invest £8.5m (\$13m) and create 230 jobs in west Belfast, giving a boost to one of the most ecocomically ressed areas of Northern Ireland. Page 8

Commerzbank, one of Germany's leading banks. announced a doubling of its operating profits for 1996 to DM1.45bn (\$982.9m) and a higher dividend payment of DM13.50 a share despite lower net income because the previous year's result was swollen by asset sales proceeds. Page 16

US greenback changes its stripes: US Treasury secretary Robert Rubin (below) displays the "improved" \$100 bill in New York to mark its first day of issue. New watermarks and other features have been added to the bill in an attempt to make the note more difficult to counterfeit.



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Martin Wolf, Page 12



TUESDAY MARCH 26 1996

R&D circle

Technology, Page 10

Slovenia

### US Supreme Court | EU move to 'ringfence' mad cow disease set to devastate British farmers

### Brussels bans export of UK beef

By Caroline Southey in Brussels and Alison Meitland and George Parker in London

The European Commission last night set itself on a collision course with the UK government by ordering e total ban on exports of all British and Northern Irish beef and beef products to the EU and to third countries. The ban will have a devastating effect on the UK's beef industry and the wider food industry. Mr Franz Fischler, EU agriculture commissioner, said the aim of the ban, which comes into effect tomorrow, was to "ringf-ence the problem in the UK and recover confidence in the EU

meat market",

Describing the situation as
"extremely serious", Mr Fischler said the ban would remain in place "until such time as, on the basis of scientific evidence, we feel we can say the measures can

The ban extends to all live animals including calves, meat of slaughtered cattle, sperm, embryos, and all products made from beef and veal where the animals have been slaughtered in the UK.

Beef prodocts such as gelatine and fat used in a wide range of food products would be banned. However, it was unclear last night whether the ban would extend to other food products such as biscuits, yoghurt and ice cream. Even so, the implications for the wider food industry are devastating.

The ban also included products used for medicinal, cosmetic and pharmaceutical purposes.

The commissioner invited the UK to "continue measures to eliminate the problem", asking It to report back fortnightly to the Commission on what it was



Where's the beef?: Two farmers viewing the poor turnout of beef cattle at an auction in Carlisle, north-west England. At this time last week, before the latest BSE scare, the pens were packed with cows but yesterday only 66 beef cattle and 26 bulls were up for sale

doing to ward off bovine spongiform encephalopathy (BSE). He did not specifically call for the slaughter of British cattle but said the UK "has been called on

to discuss with the Commission further proposals to control On the question of aid for British farmers. Mr Fischler said a which will have to be clearly justified. We want scientific justifi-

Mr Fischler rejected suggestions that the measures failed to protect British consumers, "We have taken on board proposals by the British government whose primary concern it is to protect its own citizens and we are will-ing to discuss further measures," he said. slaughtering campaign would involve "wide-ranging measures

The ban was agreed by the EU's standing veterinary committee, a policy-making body with representatives from all the member states. Only Britain

voted against the measure. News of the ban was greeted with a mixture of fury and dismay in London. Mr Stephen Dor rell, health secretary, said the decision was "outrageous and totally unjustified". The Ministry of Agriculture, Pisheries and Food was last night considering whether it could claim compensation from Brussels for the loss of trade to beef farmers.

Yesterday at a meeting in Downing Street, chaired by Mr

Continued on Page 14 Government may face lawsuits, Page 9; Consumers put the bite on burgers, Page 12

### party ends three-week blockade of parliament Japan's main opposition party

Japanese

agreed yesterday to end a threeweek blockade of parliament, clearing the way for approval of the national budget and a controversial plan to bail out the country's bankrupt bousing loan

companies.

The agreement followed latenight discussions between Mr Ryutaro Hashimoto, prime minister, Mr Ichiro Ozawa, leader of the main opposition New Frontier party, and leaders of the other two parties in the ruling coalition. It came e day after the government won a convincing victory in a by-election in which the budget deadlock had played

centre-stage.

The election had been billed as a crucial test of the government's deeply unpopular plan to spend Y685bn (\$6.52hn) bailing out the housing loan companies, or jusen, and the NFP had hoped to inflict a damaging defeat.

In the event, the candidate of Mr Hashimoto's ruling Liberal Democratic party, backed by the coalition, wan easily, albeit with a much reduced majority. And in spite of the fact that exit polls showed a large majority of voters opposed to the jusen bail-out, the government was able to

claim victory.

Mr Ozawa told supporters after the meeting that agreement had been reached and it was time to end the three-week sit-in they have staged outside the committee room where the budget debate was due to be held. But he added that the party remained opposed to the govern-ment's budget proposals.

The protesters immediately picked up their sleeping ba lood supplies and placards and left in good spirits. But it appears to have been the surprisngly heavy defeat in Sunday's by-election in Gifa prefecture in central Japan that prompted the

opposition's change of beart.

The ending of the blockade means a vote can now be held on the bail-out in the lower house of parliament's budget committee. Backed by a substantial

Continued on Page 14 Fuji to write off loans, Page 15

### Kohl in jobs pleage after state pun success

By Peter Norman in Bonn

Chancellor Helmut Kohl yesterday promised that his ruling coalition would tackle Germany's problems of high unemployment and a shrinking industrial base following its success in Sunday's three state elections.

Speaking after meeting the leadership of his Christian Demo-cratic Union, Mr Kohl said the Bonn coalinon of Christian parties and the small liberal Free Democrat party wes facing its most difficult year in the present four-year legislative period.

Finencial markets responded positively to the unexpected election success of the coalition partners and in particular of the FDP. platform and confounded opinion poll predictions to enter all three state parliaments in Baden-Wurttemberg. Rhineland-Palatinate and Schleswig-Holstein.

The DAX index of blue chip shares closed at a new record of 2,510.32, up 6.30 points. Government bond prices also advanced, although falling yields yesterday partly reflected the absence of significant inflationary pressures against the background of weak economic activity.

Mr Kohl pledged to push ahead

with the government's 50 point orogramme to boost jobs and growth, agreed at the end of January. "without its and buts". He warned the main opposition Social Democratic parts against trying to use its majority in the Bundesrat, the second chamber ned on a pro-business in Boan which represents the federal states, to block the government's plans.

Sunday's polls, which also resulted in a drop in SPD support, were seen as confirming the viability of the Bonn coalition and killing speculation that It might have to be replaced by a

parties and the SPD. Germany's present economic downturn vesterdey prompted the country's powerful industry and trade lobbies to call on the covernment to build on its elecreduce the 4.27m jobless total.

Mr Hans-Olaf Henkel, the BDI

tion successes and step up action to strengthen the ecocomy and The German federation of industry (BDI), the chambers of industry and commerce and the central association of German rraft industries all urged that oriority should be given to lowering

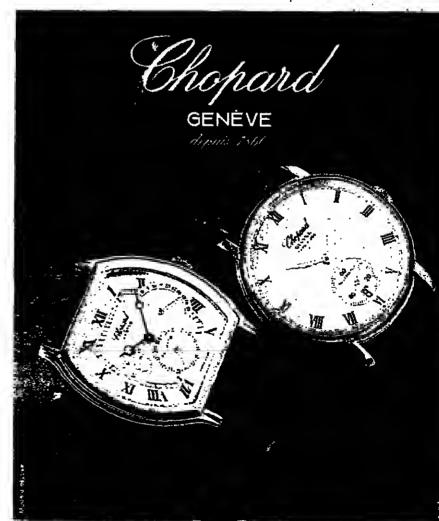
The FDP also signalled that it would press within the Bonn coalition for lower taxes and cuts in public expenditure and Ger-"graod coalition" of Christian many's generous social welfare system. Mr Wolfgang Gerhardt, the FDP leader, underlined that his party would refuse to support as a way of solving Germany's

president, said companies needed

a genuine net reduction in costs.

growing public sector deficits. Mr Oskar Lafontaine, the SPD leader, said yesterday he saw no reason to change his party's poli-cies in spite of losses in support ranging from 4.3 percentage points in Baden-Wilrttemberg to 6.4 percentage points in Schles-wig-Holstein.

Kohl to act on jobs, Page 2



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### Philips issues profits warning after poor electronics sales

By Ronald van de Krol in Endhoven and Paul Taylor

Europe's largest producer of consumer electronics, warned yesterday that net profits would fall "substantially" in the first quarter because of poor sales and the slowdown in

the computer industry. The surprise warning was issued by Mr Jan Timmer, company chairman, who blamed a continuing malaise in consumer electronics and a downturn in motor behind the recovery in

Philips' profits in recent years. delivered to sharebolders attending the group's annual meeting. will compound investors' coocerns about the state of the consumer electronics market, the maturing consumer personal computer market in some countries, and slower apparent growth in the worldwide semi-

World Trade No UK Name .....

conductor industry. However Philips, whose shares dropped by Il per cent vesterday after the profit warning, also faces problems of its own. Analysis believe the company must undertake a further rationalisation of its manulacturing operations if it is to be

competitive in world markets. Mr Timmer said there was an need for "panic", but he declined to give further details of the problems the company faced in the first quarter. He also noted that the same quarter in 1995 had been exceptionally good. Figures for the first three months of 1995 will be published on April 24.

The expected decline will hit net profits from normal business operations, which exclude possible extraordinary gains on diverments or extraordinary losses associated with restructuring Mr Timmer, who is due to retire on October 1, said, "We are not happy with the way the first few months of the year have

coosumer electronics - the group's single largest business in terms of sales - remained weak. At the same time, lower demand from personal computer manufacturers was "negatively affecting" profits in computer monitors and semiconductors.

Computer manufacturers in North America and Germany

have recently warned of a slow-down in growth, and sales over the Christmas period failed to live up to expectations. Philips' semicondoctors and components sector, which includes computer monitors. accounted for 55.2 per cent of

sperating profits in 1995, a far or cent share of group turnover. Consumer electronics, by contrast, performed poorly in 1985. due largely to heavy losses posted by Grundig, the group's German operation.

	1	CONTENTS	A CHARLES	
3	Washer	Arts Guado	Markets Territories 20 Tilerance 20 Tilerance 20 Tilerance 20 Tilerance 20 Doc Valence 20 Variable Funds 20 Variable Fun	Faces France Screen State Stat

LONDON - LEEDS - PARIS - FRANKFORT - STOCKHOLM - MADRID - NEW YORK - LOS ANGELES - TOKYO - MONE KONG

### Election setback for Social Democrats

By Judy Dempsey in Berlin

Sunday's election results in three German states were a setback for the opposition Social Democrats (SPD).

They indicated the electorate

was neither ready to trust a possible SPD/Green coalition at federal level nor convinced by the policies of Mr Oskar Lafontaine, who took over as party leader last November.

They also showed that the liberal Free Democrats (FDP). the junior partner in the Bonn coalition, had managed to hreak their cycle of recent electoral defeats with a new strategy - though they were boosted by tactical voting by supporters of Chancellor Helmut Kohl's Christian Demo-crats (CDU).

In all three states, the FDP promoted itself as the party of low taxation, more deregulation and less hureaucracy. and was re-elected to all three state parliaments. In Baden-Württemberg the FDP leader. Mr Walter Döring. ran an unashamedly probusiness campaign and won SPD. That coalition is consid-9.6 per cent of the vote. This was a clear signal to continue our policles, espe-

cially tax cuts to promote employment," said Mr Guido Westerwelle, the FDP's 33-yearold general secretary, who has sharpened the party's ideological and economic profile. The FDP's traditional commitments to civil liberties and individual rights played no role in the campaign. These bave been ceded to the Greens.

The Greens, who were elected in the three states and are now represented in 12 of the 16 states, were partly responsible for the SPD's poor

The SPD lost ground in each of the contests, falling by an average of five percentage points. Ms Heide Simonis, the SPD state premier of Schleswig-Holstein, lost her absolute majority and will have to share power with either the Greens or the FDP. She conceded that the recent bickering in the SPD/Green coalition in North-Rhine/Westphalia damaged the

#### Sunday's Land elections in Germany

	(			
	Share	of vote		nber of
Saden-Württernberg CDU SPD Green FOP Republican	41.3 25.1 12.1 9.6 8.1	(39.6) (29.4) (9.5) (5.9) (10.9)	69 39 19 14 14	(64) (46) (13) (8) (15)
Rhinelend-Palatinate SPO CDU FDP Green	39.8 38.7 8.9 6.9	(44.8) (38.7) (6.9) (6.5)	43 41 10 7	(47) (40) (7)
Schleswig-Holstein SPD CDU Green FOP SSW (Danish minority party)* PVU (for right)	39.8 37.2 8.1 5.7 2.5 4.3	(46.2) (33.8) (4.97) (5.6) (1.9) (6.3)	33 30 6 4 2	(45) (32) (0) (5) (1) (6)

ered a litmus test for a future federal Red-Green government. But her own pragmatic and

tough economic policies, involving cuts in public spending to curb the hudget deficit, also lost her votes, particularly among women who switched to the Greens and the CDU.

The SPD's populist campaign, calling for restrictions on the number of Aussiedler ethnic Germans from the former Soviet Union who can settle in Germany - and postponing European monetary union, drove voters away from the

party in Baden-Württemberg to class vote in the state, against the FDP and the Greens. 30 per cent for the SPD.

Infas, an institute which speclalises in monitoring social trends, argued that the Greens were making inroads into an SPD which is unsure about its future economic and social direction and failing to modernise as its traditional industrial/working class base dimin-

The SPD is also losing blue collar voters to the CDU: Mr Erwin Teufel, the Baden-Württemberg CDU leader, claimed yesterday that his party won 39 per cent of the working 30 per cent for the SPD. Sunday's results may also

show how the middle ground German politics, once held by the FDP, is being eroded as the FDP moves to the right and the SPD and Greens fight it out for the leftwing vote.

A divided left is grist to Mr

Kohl's governing coalition and damaging to the SPD. Ms Ker-stin Müller, head of the Green parliamentary group in Bonn, said the SPD's failure during the campaign to support a Red-Green alliance openly as a via-

coalition confirmed that the Social Democrats did not know

what they stood for.

Ms Heidemarie Wieczorek-Zeul deputy chairman of the SPD, went further, arguing that the party's recent infighting and weak presentation of its policies had helped hoost the Bonn coalition. The SPD, she said, must "fight the government hard and sharpen its own profile to make clear it is



"Spring has arrived": FDP leader Wolfgang Gerhardt (second from right) celebrates election results with party candidates Rainer Brüderle (left) and Walter Döring (second from left) and secretary general Guido Westerwelle yesterday

F.D.P. Die Liberalen

### Polls open way for tough decisions on jobs

Bonn has made only limited headway with its 50-point economic programme, writes Peter Norman

The unexpectedly good result for Germany's liberal Free Democrat party in state elections in Baden-Württemherg, Rhine-land-Palatinate and Schleswlg-Holstein yesterday raised expectations that Chancellor Helmut Kohl's government in country's serious economic problems, symbolised by an unemployment figure of 4.27m. But if the coalition of Mr Kohl's Christian Democratic Union its Bavarian Christian

Social Union sister party and the FDP is to be truly effective. its representatives in the Bundestag, the lower house of parliament, will have to discover a capacity to take tough decisions that has so far been elusive. The opposition Social Democratic party, which still controls the Bundesrat, the second chamber that represents the states, will also have far made only limited progress to be willing to compromise.

far made only limited progress in implementing its 50-point to be willing to compromise. It was unclear yesterday

whether the votes on Sunday jobs and restructure the econhad prepared the way for more decisive government action on the economy, Mr Oskar Lafontaine, the SPD leader, said the SPD majority in the Bundesrat would judge government hills on their merits but would

Kohl will push ahead 'without more ado'

cut unemployment support, that ran counter to SPD pobcies. A relaxed Mr Kohl pledged to push ahead with the government programme "with-out more ado", noting that the SPD-governed states in the Bundesrat often voted against wishes of the national party. The Boon government has so

omy that was agreed at the end of January. According to Mr Günter Rexrodt, the economics minister, government decisions are still required before progress can be made on 29 of the 50 points. Nonetheless, he hopes that by the summer course" for implementation.

The slow progress of govern-ment plans to liberalise Germany's restrictive shopping hours highlights the legacy of legislative paralysis that must now be overcome. Coalition leaders agreed on a modest extension in shop opening hours last November but the decision immediately ran into opposition among MPs from Mr Kohl's CDU. Although the cabinet agreed in December on a liberalisation hill, parliamentary discussion of the measure was postponed until after Sunday's elections.

By that time, the govern-

engender change. Among the most important will be a package of tax reforms, designed primarily to ease the burdens faced by companies, that the finance ministry bopes will be given cabinet approval by late

will he the 1997 federal hudget, which will help determine Germany's ability to fulfil the Maastricht criteria for economic and monetary union in the wake of the slowdown this year in economic growth and unexpectedly high unemploy-ment. Mr Kohl made clear last week that difficult spending cuts would have to be agreed by the coalition partners before July 10, when the cabinet is due to agree the draft hudget that will be submitted to parliament after the summer.

The tax bill will be complex. It will include provisions to encourage new company start-

greater tests of its capacity to restructuring of corporate taxatton, the abolition of wealth tax on companies and a reform of taxes on personal wealth, Inheritance and gifts. It must also implement the promised reduction in the solidarity surcharge on income and corporation tax, which helps finance

> The court has ordered changes to wealth tax

eastern Germany and is sched-uled for mid-1997.

The bad news is that some elements, such as the removal of the local trading capital tax, have failed to gain parliamen-tary approval in the past. More positively, politicians at federal and state level are under pressure to agree changes because of rulings by the federal consti-tutional court, which has specifled that changes must be

made to wealth tax by the end of this year. Otherwise it will cease to be legally valid.

The prospect for compromise

is not entirely bleak. Even in the pre-election perlod, there were signs of a possible meet ing of minds between Mr Kohl

Bonn last week, Mr Kohl avoided direct attacks on Mr Lafontaine and staked out a policy position that had much to appeal to the SPD. He insisted he was not interested in dismantling the German welfare system, despite the need to reduce industry's nonwage labour costs, and took swipes at those among the rich who evaded taxes.

What is important is whether legislative compromise proves compatible with making Germany more competitive and fulfilling Mr unemployment by the year

#### Stockholm | Italian planning to press openness on the EU

By Hugh Carnegy

Sweden is to step up its campaign for greater openness within the European Union by proposing that a right of public access to official documents he written into the EU's ground rules at the intergovernmental conference due to

start in Italy on Friday. "Openness and transparency are central to winning public confidence in the EU," said Ms Laila Freivalds, minister for instice in the Social Demo-

cratic government.

Ms Freivalds said Sweden
had notified Italy, current holder of the EU presidency, that it wanted tha proposal to write the principle of openness into a re-worked Maastricht treaty put on the conference

She said she expected sup-port from other EU coontries – notably Denmark, Finland and the Netherlands. She acknowledged there could be difficulties in putting such a principle into practice. But she noted most countries had publicly supported the idea of giving the public easier access to EU institutions and processes.

"If we do not get support, I don't know how all those countries that have declared themselves in favour of openness will explain themselves," Ms Freivalds said in an inter-

The proposal is that the EU should handle the question of openness and transparency much as Sweden has done. The right of access to official documents is written into the Swedish constitution. Every ministry and public office is required to keep a registry of documents which members of the public can scrutinise.

Everything from minor rules and regulations to letters to prime minister are included. Exceptions are made for areas which are deemed to require secrecy, such as some aspects of foreign relations. But the principle is that all documents are open unless specifically marked secret -not the other way around.

Ms Freivalds sald Sweden fully accepted there was a need for secrecy in some EU processes too. Its proposal would also apply only to EU attempt to impose new rules on individual countries.

Today it is often the case that classified documents circulate among certain interested parties in Brussels, creating a situation where some may have information to the detriment of others," the minister said.

"This creates a picture of a closed, exclusive world where ordinary people feel shut out-side the system. If there is no public confidence, it damages the democratic functioning of the institutions. Information Kohl's amhition of halving is vital lor people to be able to unemployment by the year make decisions and under-

cast has already been revised

to 1.6 per cent and many econ-

### parties compete to offer tax reforms

By Andrew Hill in Milan

Mr Silvio Berlusconi, leader of Italy's rightwing electoral alli-ance, and Mr Romano Prodi. his centre-left counterpart, yesterday vied for the support of shopkeepers and the self-employed by promising reform of Italy's tangled tax system.

But in their first face-to-face

meeting of the campaign for the April 21 election, both lead-ers also conceded that Italy, burdened with deht, would not be able to join a European sin-gle currency unless the eco-nomic conditions for entry

were interpreted flexibly.

The contradiction between a vote-winning promise to cut or reform taxes, and the need to clean up Italy's public finances is turning into one of the cen-tral issues of the election cam-

Yesterday Italian shopkeepers and other self-employed workers – mainly Berlusconi supporters - protested against the tax hurdan hy closing shops, bars and restaurants for two hours while tha two leaders debated tax policy in front of more than 1,000 members of their industry federation, Conf-

The right has stolen a march on Mr Prodi's centre-left "Olive Tree" alliance by promising to abolish the 12.5 per cent tax on treasury hills, the most poon-lar form of family savings in

Yesterday, Mr Berlusconi claimed that tax incentives introduced by his short-livedgovernment in 1994 helped create 50,000 companies last year. If voters elected the rightwing Freedom Alliance for a solid five-year term, he said, similar measures could halve Italy's unemployment rate to 6 per

Mr Prodi, repeatedly har racked by the audience, said the media magnate had run down the Italian economy, and lost the confidence of international investors during his seven months in office. He said jobs were "created by a healthy economy" and the right's attempt to "de-tax every aspect of the economy would have a disastrous effect on public finances". .

Neither a Prodi nor a Berlusconi government would have much room for manoeuvre on icit is due to fall to 5.9 per cent of gross domestic product this year, well outside the condi-tions under the Maastricht treaty for entry into monetary

Mr Berlusconi said yesterday Italy, which holds the presidency of the European Union until July, should lobby other governments for a flexible interpretation of the Maastricht criteria. Mr Prodi said Italy could not

act alone in postponing mone-tary union, but he believed other countries would also call for more time or more flexibil-ity before the Emu deadline of

# Nato expansion gas tax rises

Yeltsin yeslerday held out the possibility of a compromise solution to the vexed issue of Nato expansion, suggesting former Warsaw pact countries could join the alliance's political committee without being integrated into its military

"I would propose they follow the French example that is, to join the committee but not Nato," he said.

Mr Yeltsin, who arrived in

Oslo yesterday for a two-day visit to Norway, has been fiercely opposed to Nato's plans to expand eastwards, warning the move might "fan the flames of war across

But in recent weeks Russia appears to have softened its stance, stressing it wants a compromise. Earlier this month, Mr Ycygeny Primakov, the hawkish foreign minister, hinted Moscow would not phject to central European countries joining Nato as long as integrated military units did not move closer to Russia's

The issue has been given added urgency hy Belarus's recent moves to form a closer union with Russia. On Saturday, President Alexander Lukashenko of Any such reunification

raises the possibility that Russian troops in Belarus might one day directly confront Nato forces across the border in neighbouring Poland, significantly raising tensions in the

But before leaving for Oslo. Mr Yeltsin played down sug-gestions of an imminent merger with Belarus to create a single state. "Somebody has got things mixed up," Mr Yeltsin said Last week. Mr Warren Chris-

topher. US secretary of state. met Mr Yeltsin in Moscow and said Nato would press on with its plans to embrace central European countries such as Poland, Hungary and the Czech Republic in spite of Russian objections.

 in Brussels, Bulgarian President Zhelyu Zhelev said a recent vote by the Russian parliament calling for the nullification of the 1991 break-up of the Soviet Union would strengthen Bulgarian determination to join Nato.

 Mr Mintimer Shaimlev, president of the central Russian republic of Tatarstan and one of the country's most powerful regional leaders, has been re-elected unopposed. Mr Shaimiev, who has won a large degree of economic independence for the oil-rich republic. Belarus said he would sign a received 97.2 per cent of the treaty on April 2 re-unifying vote on a 78 per cent turn-out. ics and finance ministries, desperate to raise additional bud-

### Yeltsin suggests Minister hits at Belgium heads for Emu goal compromise on plan for oil and

Russia's energy minister yesterday strongly criticised government proposals to increase tax revenues from the oil and gas sector, saying they would deter investment and undermine attempts to stabilise energy ontput this year. The proposals, one of the central conditions of a \$10.2hn loan agreement with the International Monetary Fund. are seen as a vital means of raising much-needed budget revenne. The IMF board is due to consider approval of the loan

"The IMF considers it necessary to raise taxes on oil, oil products, gas and electric energy. If you talk about the macro-economic indicators in the economy then I think this is correct," Mr Yuri Shafranik

said in an interview.
"But if you talk about the perspectives and development of the internal market in Russia then this is probably a very serious mistake." Mr Shafranik said he would

make the ministry's views known through a special commission which is conducting talks with the IMF about how to implement its hudget plans. The taxation of Russia's biggest energy companies is developing into a trial of

get revenues, and the energy ministry, which helieves higher taxes will serionsly harm the chief income-generating sector of the economy.

Reformist economists have

particularly targeted Gazprom, the higgest gas producer in the world, claiming it fails pay its fair share of taxes. The issue has particular politi-cal sensitivities, given Gaz-prom's connections with Mr Victor Chernomyrdin, the prime minister and former head of the giant gas concern. The IMF has repeatedly pressed the Russian government to raise additional reve nues from Gazprom by removing wide-ranging tax exemptions from its "stabilisation fund" but has so far met

with little success. The fund,

believed to contain several bil-

lion US dollars, is ostensibly

used for financing investment projects and social welfare. Some Russian ministers are pressing the IMF to adopt a more aggressive stance this

year. "It will be ridiculous if Gazprom retains its exemptions." said one government official. "This would show that the IMF is not an effective economic policy tool but only a political organisation." Both Russian and western oil companies argue the coon-

try's tax regime needs a radi-

cal overhaul before they are

prepared to invest in hig

development projects.

#### By Neil Buckley in Brussels

Mr Jean-Luc Dehaene. Belgium's prime minister, yes-terday insisted Belgium would meet its target of a budget deficit of 3 per cent of GDP this year, putting it firmly on track to be among the first countries to replace their currency with the euro.

Mr Dehaene's declaration came only two days after he had hinted at a meeting of his Christian Democrat party that the target might not be met until 1997, and goes against the private views of finance minis-try officials that slowing growth will make it hard to reach the target this year. Belgium must reduce the def-

icit ratio to 3 per cent hy next year to meet the convergence criteria for monetary union.

"For the first time since the growth forecast, but the foreearly '70s my country once more will reach the 3 per cent public deficit level." Mr Dehaene told a seminar on Belgian financial markets at the Belgian National Bank.

Belgium's 1996 hudget was hased on a 2.2 per cent annual

Ministers find role for MEPs

EU foreign ministers yesterday settled a dispute over the European Parliament's rote in the coming inter-governmental conference on Europe's future, Lionel Barber writes from Brussels. The deal reached in Brussels overcomes French and British objections and paves the way for a smooth summit of EU leaders on Friday in Turin. The Turin summit will serve as a ceremonial launch for the IGC, set to last at least 15 months.

Italy, which holds the EU presidency, put forward a compromise which will allow representatives of the Parliament

to be briefed regularly on the constitutional talks without participating in them or assuming a fully-fledged observer role. New shapes in the stars, Page 13

omists believe the new figure to full monetary union. is optimistic. But, speaking at the same seminar, Mr Philippe Mr Dehaene added he hoped Maystadt, finance minister, and Mr Alfons Verplaetse, the

to agree an "employment con-tract for the inture" with employers and trade union. aimed at halving Belgium's unemployment rate after tha year 2000. That would require keeping the increase in labour costs at or below the average of Belgium's neighbouring countries, when a three-year wage freeze expires at the end of this year - and Mr Dehaene added Belgium might have to make an "extra effort" in tha

that Belgium would be among

the first countries to proceed

early stages.
The plan also included increasing employers' flexibil-ity by lowering their social costs, and encouraging retraining and part-time work.

### EU blocks Bosnia aid conference

The European Union decided yesterday it could not yet give the go-ahead to next month's Bosnia donor conference because all prisoners had not heen released as required by the Dayton peace agreement,

Agencies report from Brussels.
International aid donors met in Brussels in December and came up with pledges for more than \$500m to help start rebuilding Bosnia. A second conference has been pencilled in for April 12 and 13 with a target of collecting \$1.2bn more in promises of aid to cover the rest of this year.

"What is required is not partial and con-ditional compliance with the peace agreement, but total and unconditional compliance." Mr Carl Bildt, the high representative for civilian affairs in Bosnia, told a news conference, noting that under the Dayton peace agreement all

prisoners of war should have been released by January 19. "We have seen some progress but I am still not satisfied with the progress. As-

long as that remains the case we cannot go forward with planning for the donors' conference," he said. Sixty thousand troops led by Nato have

been enforcing the peace agreement in Bosnia since December, but reconstruction efforts have not yet got into full swing. Mr Bildt hriefed a meeting of EU foreign ministers about current conditions in Bos-nia. He said efforts to win the release of all prisoners had met with some success fol-

lowing last week's meeting of the five-na-

tion contact group in Moscow - involving

the US, France, Germany, the UK and Rus-

"I naturally welcome this," he said.

But he argued that without the release of all prisoners, it was likely that arbitrary arrests in Bosnia would continue and there would be no chance of achieving real freedom of movement and the return of refugees, which he said were crucial to the peace process. "Eager as we are to fund reintegration and reconciliation we are unwilling to fund reluctance or refusal to

The international community can provide tha framework for reconciliation to take place. But only the parties them-selves can make reconciliation a reality." Diplomats say so far between \$823m and

implement the peace agreement," he said.

\$923m has been pledged, with the EU making some \$212m available, the US \$200m and Japan \$200m. Islamic countries are expected to come up with about \$100m and the World Bank has pledged \$160m.

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### Paris reduces growth forecast

The French government has reduced its forecast of economic growth for this year to 1.3 per cent, down sharply from the 2.8 per cent predicted in the 1996 budget last year, the economics ministry announced yesterday. But it forecast 2.8 per cent economic growth next year.

The ministry said its forecasts of hudget deficits in meeting monetary union criteria remained at 4 per cent of GDP for 1996 and 3 per cent for 1997. Non-farm employment would rise by only 15,000 this year, the ministry said, against the 290,000 expected, and would be up by 215,000 next year. For 1996, household consumption would rise by 1.3 per cent, and business investment by 4.4 per cent (against 8 per cent predicted). The 1996 trade surplus is now put at FFr123bn (\$24.3bn) instead of FFr93bn.

The government is now looking for 2.8 per cent economic growth in 1997, and a trade surplus of FFr131bn.

APP. Paris

#### Swedish drink tax cuts urged

The head of Sweden's state-owned alcohol producer yesterday called for a cut in the country's high taxes on spirits, saying the government risked losing control over consumption because of rising smuggling, illegal production and duty free imports. Mr Egon Jacobsson, chief executive of Vin & Sprit, said Sweden's entry to the European Union meant there must be changes in traditional policies to limit alcohol

Taxes on spirits such as vodka, whisky and aquavit, the powerful Scandinavian specialty, account for 90 per cent of the price in Sweden, the highest within the EU. "The question is how much longer this can function," Mr Jacobsson said. Smuggling and illegal production now accounted for consumption of some 15m litres a year - half the amount sold through the state-run monopoly. Hugh Carnegy, Stockholm

Sweden had a trade surplus of SKr9.5bn (\$1.44bn) in February, compared with SKr8.3bn in January.

#### Swiss outlook 'worrying'

Swiss finance minister Mr Kaspar Villiger yesterday described as "extremely worrying" the latest budget forecast by the Swiss government, which projects increasing deficits over the

In its budget outlook for the next four years, the finance ministry said the federal deficit was to rise to SFr4.1bn (\$3.4bn) in 1996, SFr7,1bn in 1997, and SFr8.6bn in 1998, before easing to SF18 thn in 1999. The 1995 deficit is forecast to be SFr3.3bn.

Mr Villiger said that restructuring of the government's finances would be a priority. The government had set the target of achieving a balanced hudget by 2001, and restructuring measures would include 2,000 job cuts in the federal administration.

#### **Hungary gets OECD invitation**

Hungary will be formally invited on Friday to join the Organisation for Economic Co-operation and Development (OECD) as its 27th member, it was announced in Paris

An agreement setting out the terms for Hungary's entry will be signed during a ceremony at the organisation's Paris beadquarters by Mr Imre Dunal, Hungarian trade and industry minister, and Mr Jean Claude Paye, the OECD secretary-general.

The formal invitation means that Hungary will be able to attend all OECD meetings, including those of the OECD council, as an observer from Friday. It will become a full member when it deposits its instrument of accession to the OECD Convention with the French foreign ministry. presimably within the next month or so. AFP. Paris

ECONOMIC WATCH

#### Italy's industrial output rises

Italian industrial production rose by 3.9 per cent in January, compared with January 1995, but average daily output slipped by 4.8 per cent, compared with the previous month. The January 1996 figures, published yesterday by Istat, the national statistics office, were calculated on output over 22 working days, whereas those for January 1995 were based on production over only 21 days. In December output had fallen 2.8 per cent from 98 December 1994, the first decline on this basis for several months. The strongest

growth in output came in office equipment, up 19.3 per cent against January 1995, and in machinery and mechanical equipment, up 18.9 per cent. By contrast, output of newspapers, books and magazines slipped by 8.4 per cent, and production of radio, television and telecoms equipment by 5.1 per cent.

Andrew Hill, Milan

per cent.

Andrew Hill, Mil.

■ Salary rises agreed for more than 2m Spanish workers in 1996 have risen by an average of 3.9 per cent, up from 3.7 per cant a year earlier, according to a report in El País. The rises are in line with the government's inflation target of 3.5 per cent for 1996.

### reduce border

borders with Spain and Ger-

In the run-up to Turin, Presmodel" more relevant to Euroont in a memorandum to be French cabinet and presented to the summit.

The Gaullist president called for European action to promote jobs by better use of EU funds and by cross-border infrastructure schemes. He also wanted to stop "social dumping" - the lowering of labour conditions and pay from undermining work and welfare rights.

domestic criticism, renewed in recent days by Mr Philippe Séguin, Eurosceptic president of the National Assembly, that the French government is not doing enough to tackle the country's 11.8 per cent unemployment. It also partly reflects France's desire to use the IGC to end the right to opt out of EU social policy won by the UK at Maastricht.

increased EU co-operation on drugs. Drugs "ls an area where nothing can be done efficiently without Europe", he said. Clearly referring to the more tolerant Dutch attitude to drug users. Mr Chirae comgle country with lax legislation to weaken all our action."

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SEI 1941. SE! 9HL GERMANY:

controls By David Buchan in Paris France is to lift controls on its

many, two fellow members of the European Union's Schengen agreement on open bor-But the move, ahead of Priday's Turin summit opening

the intergovernmental conference (IGC) on the future of the EU, did not encompass Belglum and Luxembourg, which bave open borders with the Netherlands. France has been critical of Dutch drugs poli-

ident Jacques Chirac yesterday called on his EU partners to establish "a European social peans' daily preoccupations. ranging from job creation to fighting illegal drugs. His social initiative is to be spelt approved tomorrow by the

In an article in the leftwing Libération newspaper, Mr Chirac sald Europe needed not only to revamp its institutions and to put monetary union in place, but also to give Itself a big political project to revive citizens' hopes and win their

This is partly to deflect

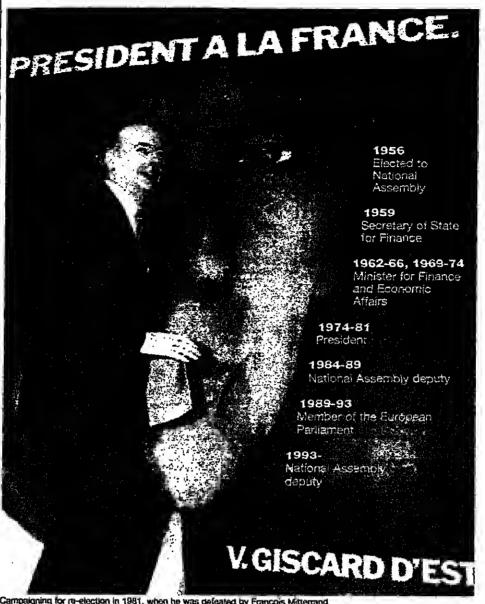
Mr Chirac also called for

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France to Ex-president refrains from endorsement of any candidate in leadership poll

### Giscard bows out as UDF leader



Mr Valery Giscard d'Estaing, the former French president, last night bowed out as leader of the Union pour La Democra-tie Française (UDF), junior partner in the ruling coalition. A convention of some 1,800 delegates in Lyons on Sunday is due to elect a new UDF president from among three former ministers - Mr François Léotard, Mr Alain Madelin and Mr

André Rossinot. In a television interview last night Mr Giscard d'Estaing, refrained from publicly endors-ing any of these candidates to head the UDF federation which be formed in 1978. However he is known to favour Mr Madelin, the strongest challenger to

the frontrunner, Mr Léotard. The outcome could affect the balance of power and even sta-bility of the government and of its parliamentary majority.

The main Leotard-Madelin battle has perpetuated the split in the UDF caused by last year's presidential election. Mr Léotard is leading the camp that backed former prime min-ister Edouard Balladur for the Elysée, while Mr Madelin is championed by those, including Mr Giscard d'Estaing, who eventually opted for President

Mr Giscard d'Estaing left it characteristically late to rule himself definitively out of the UDF contest, in spite of the consensus that the federation needed new blood to replace the 70-year-old leader.

Voted out of the presidency in 1981 aged only 55. Mr Giscard d'Estaing clawed his way back up the political ladder, first as a local councillor in his native Auvergne - he is still president of the regional coun-cil - then as an MEP and a

bly, where he is still president of the foreign affairs committee. But last year be narrowly failed to displace the socialist mayor of Clermont Ferrand. the capital of Auvergne.

The war of succession is also in large part over whether a new leader can manage to remedy Mr Giscard d'Estaing's failure to turn the UDF into a more centralised formation to rival the Gaullist movement, refounded as the RPR by Mr

Though it has a small "direct" membership, the UDF is mainly composed of the conservative Republican party. from which Mr Léotard and Mr Madelin both spring, centrists who now call themselves Force Democrate, and the Radical party which is fielding Mr Rossinot as a candidate.

More of an electoral alliance than a party, the UDF, whose members range from Thatcherites such as Mr Madelin to German-style Christian Democrats, share little ideology in common, apart from a belief in Europe and the merits of regional decentralisation which mark them out from the Gaullists. All three candidates recognise the need for a more coherent UDF, but differ on the pace of reform.

Mr Madelin calls for the UDF to fight the 1998 parliamentary elections as a centralised party, an ambition that has earned the support of Mr Giscard d'Estaing. In addition, Mr Giscard d'Estaing has long had a stormy relationship with Mr Leotard. The latter, partly hecause he also heads the Republican party, wants more gradual change, leaving the UDF as a federation, while Mr Rossinot's reform timetable lies between the two.



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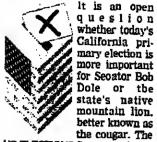
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### Dole and the mountain lion going west

Jurek Martin finds the Californian primary vote today outshone by movieland's Oscars



mary election is more important for Secator Bob Dole or the state's native mountain lion. better known as the cougar. The US ELECTIONS Senate majority November 5 leader

surely win the Republican presidential ballot, taking the state's 165 delegates to the party coovection and thus passing the 996 total needed to secure the party's nomination. The Los Angeles Times opinion poll last week had him ahead of Mr Pat Buchanan, bis remaining chal-lenger, by 52:18 per cent. In past elections, Mr Dole

has been known to turn nasty also the cougar's problem. Classified as a protected spe-cies in a 1991 Californian ballot initiative, it has since taken to attacking joggers and other animals. So, the National Rifle Association has helped put a proposition on today's hallot that would let bunting of it

This proposal, along with three others which seek to con-trol the power of trial lawyers in the state, has generated more immediate passion than the Republican contest. But



Among the faithful; Senator Dole speaking at the Richard M. Nixon Library in California

the party primary cannol be overlooked for the simple rea-son that the largest US state may matter more than any other in the presidential elec-

tion on November 5. Conventional wisdom says that Mr Dole can lose Calif-ornia then hut still hecome president, while President Bill Clinton must carry the state to stay in lbe White House. This is the result of changes since 1992, with the Republicans now more entrenched in the south and much more competitive in the industrial midwest But, in this century, no Republican has ever become president while losing California, hut three Democrats (Wilson, Kennedy and Carter) have lost the state hut won the

Mr Dole was looking more to history than conventional wisdom on Sunday, his last day of campaigning in the state, when he told a rally that he had no intention of writing off California, as President George

Acknowledging state polls that have him trailing Mr Clinton by as much as 20 points, he declared: "We're going to fight to the hitter end." He adduced in evidence Governor Pete Wilson, his campaign manager bere, whose landslide re-election in 1994 came only months after similar polls had him more than 20 pointa

behind his Democratic rival. Like Mr Wilson, who recovered via his support for ballot Proposition 187 to deny social Mr Dole has chosen sides in a hot local issue. This is the Calestablish no-fault car insurance statewide, thereby reducifornia Civil Rights Initiative. ing the prevalence of damage likely to be on the ballol in November. This is meant to The other two, with better end government-sponsored chances, would establish the

loser-pays principle in securi-ties lawsuits and sharply limit affirmative action programmes throughout the state. the contingency fees lawyers Also, Mr Dole continued to urge Mr Buchanan, the conserreceive from pursuing legal actions. The aim of both is to vative commentator, to "join discourage "frivolous" suits, forces and close ranks" for the general election. He also virtuwhich the computer industry ally begged Mr Ross Perot, the now sees as a threat to capital 1992 independent candidate, not to enter the race and "make it easier for Bill Clin-All three borrow, to a degree, from the wide-ranging tort ton". Mr Buchanan responded

reform proposals of the Con-tract with America, the Repubthreatening again to quit the Republican party if its platlican manifesto in the 1994 conform did not please his pro-life, blue-collar supporters. The president has his own gressional election. These have been whittled down in Congress to narrower securities litpotential third-party problem in California. Mr Ralph Nader, veteran consumer activist, is igation and product liability hills, but a California vote in their favour could revive the the likely presidential nominee national effort. of the Green party. He could easily win, mostly from Mr Clinton, 5-10 per cent of tha

Even so, this matter has not raised the level of public inter-est in the primary beyond the vote in November. Mr Nader has said it was immaterial that lukewarm and voter turnont is expected to be near a record low. This would disappoint his participation could hand California officials who moved the election to the Republicans because Mr Clinton was in the primary forward from June thrall to big business. in the bope of national atten-California's newest big business, the computer industry, is the main mover behind the three propositions aimed at

In fact, California received attention with a vengeance last night - but neither Boh Dole nor the congar could conceivcurbing the influence and income of the legal profession. ably compete with the film The first, likely to fail, would world's Oscar ceremony.

AMERICAN NEWS DIGEST

### No turning back, insists Menem

President Carlos Menem denied yesterday that Argentina was in danger of returning to the interventionist polices of the past, or of implementing "magical and demagogic" measures to confront recession and high unemployment.

Addressing investor concerns that the recent formation of a Labour and Employment Council meant his administration was seeking an accommodation with unions, Mr Menem told bankers at the Inter-American Development Bank's annual meeting that deeper labour reforms were essential. "We need modern, flexible legislation that not only does not frighten off entrepreneurs but gives them incentives to create jobs."

Political pressure is building within Argentina to modify economic policies which some hlame for an unemployment

rate of 16.2 per cent and continued recession. Mr Domingo Cavallo, economy minister, on Sunday admitted that gross

domestic product had contracted by 4.4 per cent last year, worse than the grimmest predictions.

Mr Menem said the "alarming number of unemployed" in Argentina was "taking a terrible toll on our people". Policy efforts should be concentrated on reducing the costs by small and medium-sized companies, which created the majority of

#### Nicotine nasal spray for sale

The US Food and Drug Administration has approved a nicotine nasal spray to help hardcore smokers quit.

The spray is a pump bottle bolding 100mg of nicotine that smokers can inhale to ward off cigarette cravings. Pharmacia and Upjohn created the spray but have licensed it to McNeil Pharmaceuticals for sale under the name Nicotrol

Smokers can already request medical prescriptions for nicotine patches or, from next month, buy nicotine gum without a prescription to help them kick the habit. But the nasal spray is much more powerful, reaching the bloodstream more quickly than either gum or patch. Scientists

last year warned the FDA that it should only be sold with strong warnings that it could be abused.

#### Internet share trades to resume

Spring Street Brewing, a small Manhattan-based hrewing company, expects to resume trading its shares over the Internet in about two weeks after it responds to the concerns of US regulators. Last Wednesday the company halted a two-day-old experiment in Internet share trading after the Securities and Exchange Commission asked for a review of the rading scheme by regulators.

SEC officials said their primary concerns were that investors would not be sufficiently aware of, or adequately protected against, the risks of holding Internet-traded shares They suggested that the company should use an independent transfer agent rather than clear the trades Lisa Bransten, New York

#### Home sales soar in US

US sales of existing homes rose strongly in February despite higher mortgage rates, the National Association of Realtors said yesterday as the housing addustry shook off the impact of

bad weather. Total sales of existing homes climbed 6.5 per cent to a seasonally adjusted annual rate of 3.96m, following a revised January decline of 3.9 per cent to 3.72m. The rebound was significantly stronger than Wall Street forecasts last month of

#### IMF urged to do more in monitoring banking having received \$750m of interest at

By Stephen Fidler in Buenos Aires



assume a more assertive role in monitoring hanking systems, to belp avoid such destablishing banking crises as those experienced in Latin America over the last twn years, according to Mr Lawrence Summers, US

Treasury under-secretary.

He said financial systems were "an area where the IMF has to take on a larger role in the future". The joke that the IMF stands for "It's Mostly Piscal" - reflecting Its historical focus on budgetary matters - should no looger be applicable, he said.

Crises in the banking systems of Argentina, Mexico and Venezuela, and costly bank bail-outs in Brazil, have raised concerns that weak financial systems may be one of the most important Achilles heels of the

region's economic reforms.

Mr Summers told the FT in Buenos Aires, where be was at the annual meeting of the Inter-American Development Bank, that the region's bank-ing systems would be high on the agenda of a meeting of western hemi-sphere finance ministers in New Orleans on May 17-18. This would aim to improve co-operation among bank regulators and enhance international support so as to improve the monitoring of banks. Mexican regulators were already co-operating "closely bpt informally" with their counter-parts in 1be US, he noted.

future Mexico-style crises, be said an agreement among governments about the expansion of the general arrangements to borrow was possible in the next few months. It would build on

the existing GAB – emergency credit facilities set up in 1962 by major IMF members as an addition to the Fund's normal resources - but probably include new members. Furthermore, the US economy was in better shape "than at any time since John Kennedy was president [in the early 1960s]", thereby reducing the likelihood of sbarp swings in US interest rates that could affect Latin

American economies. Also, Mr Summers said general surveillance by the IMF of risks to the global financial system had improved, investors now know

interest rates that could affect Latin

believe that they have to be more transparent in releasing economic

He said another prominent issue at the meeting in New Orleans - the first of finance ministers under procedures established by the Miami summit of the Americas in December 1994 - would be on money-laundering. "There is a sense of co-operation region-wide that was not there several years ago and a consensus that money-landering constitutes a nexus for narcotics-related prob-

There was agreement on the need for action, and "we are past the stage of pretty phrases," On other issues, Mr Summers said: • The US Treasury had made a

profit from its lending to Mexico,

**NEWS: INTERNATIONAL** 

• The IADB should allow members greater facility to borrow in dollars.

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% of Total

4.0

higher rates than the US cost of bor-

Apart from loans under a pilot programme to provide up to \$1bn in dollar loans, which began in May 1994, members have to borrow in a basket of currencies. An expanded dollar window would give countries the currency they often want. It would also have implications for the bank's borrowing programme, requiring it to raise more of its funding through the US dollar bond market.

· Various Carlbbean countries are likely to be early beneficiaries of a \$10m debt-reduction allocation by the US Congress. This will allow leverage for greater debt forgiveness by using debt swaps at discoonts to face value.

# **HIV** infection

By Mark Ashurst Johannesburg

The world's first commercial life cover for people infected with the HIV virus has been introduced in South Africa hy insurance group Metropolitan Life. At least 15m South Africans are infected with the HIV virus, though 80 per cent have not developed symptoms of Aids. The number of policy applicants testing positive for the virus last year was 2 per

Mr Riann Van Dyk, Metlife's general manager and market-ing actuary, said South Africa was a "natural" pioneer of insurance for people with HIV and other previously uninsura-ble diseases because its financial services sector was the best developed of countries facing an Aids epidemic.

Ms Morna Cornell, of the

South African Aids Consortium, which lobbies on behalf of people with Aids and which worked closely with Metlife, attributed development of the policy to the combination of an epidemic and public pressure on insurance companies.

one, but we hope that in five years' time, when we have good data, wider cover will be available," she said. But industry experts can37 . . 2 m v..

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tioned that the flattening in the rate of HIV infection in developed countries could deter insurers in the west from developing similar schemes. The policy took four years to develop, due largely to concerns over confidentiality and

allegations that insurance com-

panies bad hlacklisted suspected homosexuals. Cover is restricted to persons aged 15-55 in the asymptomatic stages of HIV infection, defined by the World Bank as stages 1 or 2, when life expectancy is longest. The maximum death benefit is limited to R50,000

(\$12,800). Monthly premiums start at R125 for R10,000 life cover, compared with an average monthly premium of R110 for other Metlife policies with assurance up to R400,000. The investment value of the policy is designed to exceed the value of the life cover after six to

### Nigeria budget: late but worth waiting for |S Africa insurer

There is a dark side, of course, writes Paul Adams, but there is something for the bright side offers cover for

Africa, asked a London-hased analysi recently, that has a surplus on merchandise trade and current account, a freely traded currency, a stable government and where many multinationals are investing in their local subsid-

The answer is Nigeria. The clark side of this glittering com is high crime, a ramshackle infrastructure, endemic corruption, and a soaring external deht - but the point is made. Africa's most populous nation, pumping out more than 2m barrels of oil a day, and with huge reserves. remains a substantial business

opportunity. And the 1996 hudget, presented by the leader of the military regime. General Sani Abacha, was designed to make it even more enticing for would-be investors prepared to take rough with smooth.

Nigerian budgets have long been complex documents. opaque and contradictory, and this year's exercise has proved no exception.

Usually delivered on January 1. It came out nearly two months late, but the private sector took the delay in its

Niceria's economic managers

continue to he divided hetween those who arme that, like it or nol, the country must return to and International Monetary Fund and those who support a form of go-it-alone economic nationalism.

Reach agreement with the Bank and the Fund, say the former, and rescheduling of the country's \$31bn external debl

that deserves close analysis.

of the state.

can get under way.

attempt to return the country to civilian rule, four main

themes emerge from a budget

however, are far from convinced of the benefits; debl ser-vicing will still not fall below 25-30 per cent of export earnings, and policy will, as they see it, be shaped by outsiders. In spite of this ideological tug-of-war and the distractions

The Abacha government is allempting to revive a battered infrastructure and improve social services, curb inflation, improve investment incentives

associated with yet another

and gradually reduce the role Supporting the first objective is the N30hn (\$355m) which Nigeria's military regime is starting to release from its special pelroleum trust, funded

through the increase in domes-

Multilateral Paris Club London Club Non-Paris Bilatera

tic fuel prices last year. It is to be used for road repairs and basic medicines. The economic nationalists. Meanwhile, in its battle to

reduce inflation, the government hopes to keep a tight squeeze on money supply, and in the process stabilise the At the same time, however,

it wants to stimulate growth and ease the suffering caused

The Nigerian government is not alone in wondering how this circle might be squared. Adding to its dilemma is the fact that large scale dishursements from the petroleum fund would risk starting a fresh round of inflation, which has been falling steadily for about nine months.

lt would also lead to renewed pressure on the naira, which has beld its value at about N82 to the dollar for more than a What makes the task more

0.947 DEBT SERVICE REQUIREMENT FOR 1996 Amount (50n) Multilateral Paris Club

NIGERIAN EXTERNAL DEBT

London Club Promissory Note Non Paris Club 0.311

say impossible - is the govern-

ment's interest rate policy. Rather than allow the market to decide the rate, it has kept a 21 per cent cap on interest rates while inflation is estimated to be near 50 per cent. Last year, nearly all banks used hidden charges to get around the official limit and charge real rates of about 35

Mr Anthony Ani, the finance minister, seems determined to put a stop to that, warning in his budget briefing that he will penalise any banks caught

doing this. The explanation for the government's apparent determination to pursue an illogical pol-

icy lies in the cost of servicing domestic debt, currently around N350bn, about 10 per cent of GDP. A bank economist in Lagos says: "The cost of servicing this domestic debt is a major hurden on the future genera-

Total (Sbri)

2.0

tions and is probably the key reason why the government cannol afford to remove the cap on interest rates, and thus continues to tax the savers in this economy. Although the N17bn hudget surplus for this year implies tough fiscal discipline, economists are sceptical.

It is far from certain that the government can resist the temptation to spend two bonanzas: the petroleum trust fund, which bolds at least N30hn and the proceeds from the sale of government petrodollars at the market rate

rather than the controlled rate of N22. Total benefit: N102bn. True, greater fiscal control helped to reduce the budget deficit from about N90bn or 8 per cent of GDP in 1994, to a declared N1bn hudget surplus for 1995, assisted by about \$1bn from higher than forecast prices for oil, the overwhelming source of government income and foreign earnings. But this was also achieved partly at the expense of starv-

Nonetheless. Nigeria's private sector is grateful for small - and in some cases, not so small - mercies. Exchange rate stability is one: "The important thing is that they gave us a chance to stand still," says one of Nigeria's leading bankers. That sounds cynical but they could have gone backwards." At the same time, the budget

ing vital services and infra-

structure of necessary invest-

offered reduced taxation rates and valuable tax breaks for big companies that replace plant and equipment, on top of the repeal last year of exchange and investment controls. That said, political stability

remains the critical unknown. As one businessman put it: "In Nigeria, the risks are like the potential returns: consider-

### Good harvest helps Uganda trim inflation in February

Inflation fell in Uganda last month to 5.8 per cent on an annual basis from 8.5 per cent in January, the central bank said yesterday. Reuter reports from Kampala.

It credited the decline to lower food prices, spurred by a hig harvest, also citing falling commodity prices, pushed down hy a drop in fuel prices. "Major decreases were regis-

tered in the prices of fresh food produce, local bottled beer, textiles, petrol and bicycle spare parts," the bank said in a report sent to Reuter. The report added that the hank planned to keep inflation at around 8.0 per cent for the 1995/96 financial year ending on June 30.

Mr Yoweri Museveni's gov-ernment had previously said it wanted inflation lower at about 5 per cent, but bank officials said that target could no longer be met. They blamed higher inflation at the beginning of the financial year.

Rising food prices in Uganda pushed up inflatium in the last four months of 1995 after a drought cut yields in parts of the country and prolonged rains in other areas destroyed crops. Annualised inflation reached 9.4 per cent in Decem-

The rains have now evened ont and good harvests recorded in most growing areas are expected to slash

commercial bank lending rates remained high at 19 per cent, offered no predictions of; future trends.

Foreign exchange purchases in February rose by 15 per. cent over the previous month, to a record \$130.17m, up from \$112.96m in January, the bank said. Sales in Uganda's liberalised money market also rose to \$123.03m in February from \$110.13m in January.

"Higher levels of foreign exchange transactions were mainly a result of increased coffee export proceeds in the market," the bank said. Coffee accounts for more than half the country's hard currency.

Labour body sees room for growth without reigniting inflation

### ILO calls for G7 expansion plan

By Robert Taylor, Employment Editor

The world's main industrial countries should co-ordinate a stralegy of economic expansion to raise demand and promote inb-intensive growth, the Intercational Labour Organisation says in a submission to the governments at the Group of Seven conference to be held in

Lille. France, next week. The gathering is a follow-up to the jobs summit in Detroil two years ago. The Geoevabased ILO belives "there is room for macroeconomic expansion without necessarily creating an upsurge of inflationary pressures in the cur-

rent context of low inflation.

insufficiency of productive

investment and a persistent backlog of unemployment". · A "joint reduction by gov-

interest rates". "Budgelary policies which allow for expenditures to comhat unemployment".

ernments of real short-term

 "A declared and consistent action towards a gradual reduction of the public debt in the medium-term". Joint efforts by governments, employers and trade

unions to maintain "stability

hetween wage increases and profits" The introduction of targeted training programmes for the long-term unemployed through a reform of tax benefit systems

nle to take jobs, and cuts in ers or the deterioration of their taxes on employment that pays at or near an effective mini-

• Integration of educatino and vocational training with the world of work through a strengthening of partnerships between husiness and public

The ILO helieves global unemployment is due to "slow and inadequate economic growth" and not technological change or international trade. its submission says lechnology is "not a net job destroyer but a locomotive of future growth and joh creation", while "trade with low-wage countries cannot be regarded as the major cause of either the high unem-

ployment of low-skilled work-

The document also argues

that real wage levels and social protection measures are not aubstantial causes of high unemployment either. "Structural policies intended to promote greater efficiency and flexibility may have brought about a more efficient allocation of resources but they have had little effect on aggregate employment levels," it says. Labour market deregulation

is criticised on the grounds

that while it may have "contributed to economic efficiency" it has also "wideoed the gap between winners and losers and aggravated the gap between the insiders and out



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European Union foreign ministers yesterday agreed to make a better offer on opening telecommunications networks in world trade talks if other countries did likewise, Renter reports from Brussels. They have agreed that they

will improve the offer to meet the best other offers if it proves to be warranted," an EU diplomat said.

The compromise papered over differences between ardent liberalisers such as Britain and more conservative states such as Belgium and Spain, which want to preserve limits on foreign ownership. It also averted a row that the

European Commission nearly caused two weeks ago with a draft proposal to improve the EU's liberalisation offer in the World Trade Organisation talks which would have had the effect of removing all restrictions on foreign owner-

ship.
Diplomats said that Spain in particular had argued strongly that the ministers could not commit the government still to be formed to Madrid to anything. Officials were therefore drafting a declaration letting Spain off the hook for the time

Belgium's telecommunications minister, Mr Elio Di Rupo, said last week that the EU should not "open its arms" to foreign competitors before they had opened their own would insist on keeping its 49.9 per cent limit on non-EU ownership of telecoms companies and its restrictions on the number of operators in specific telecoms sectors.

The EU has offered to allow foreign companies to benefit from its internal plan to open tion in most countries by January 1, 1998. But it has come under pressure to do better since the US raised its own bid by agreeing to open up its local telecommunications market.

The governments that are resisting have not necessarily ruled out the possibility of improving the EU's offer later, but see no reason to do so yet, officials said.

Sir Leon Brittan, the trade commissioner, has made it clear in the past that the foreign ownership restrictions had to be considered as nego-

The telecommunications liberalisation negotiations, involving some 50 countries, are part of the unfinished business from the Uruguay Round of talks under the General Agreement on Tariffs and

The Geneva-based negotia-tions have a deadline of April 30, and trade officials have said there is little prospect of extending the time limit if the talks falter at the final

### EU to match Vietnam struggles to refine policy on fuel

vietnamese petrol sta-tions look much like those in Europe. Bun-ting strung across the fore-court displays the logos of for-eign companies such as British Petroleum, Shell and Esso, and attendants in overalls dispense fuel to waiting motorcyclists.

fuel to waiting motorcyclists.

But one thing is missing –
none of the foreign companies
sells a drop of petrol to Vietnam's consumers. The flags hang as a marketing ploy. anticipating the day when Vietnam will allow foreigners to invest in its potentially huge fuel distribution and retail

Vietnam is alone among its neighbours in denying foreigners access to the downstream sector, where fuel consumption is growing at 15-20 per cent a year on the back of burgeoning motorcycle ownersbip and increasing fuel demand from airlines and industry.

Shell puts oil consumption in Vletnam at 4m tonnes in 1994. reaching 25m tonnes by the year 2011. All of this will have to be imported until Vietnam builds a refinery.

On paper, Vietnam appears attractive to foreign oil majors. But ideological unwillingness on the part of the ruling Communist party to relax controls on what it sees as a strategic industry is shutting them out. Another reason is reluctance by local monopolies to relinquish a share of the market to foreign players.

"Foreign companies...nced some reassurance as to the likelihood of finding acceptance in the main downstream sector. They would appreciate clarification of policy from the government as soon as this is possible," says Mr Howard Gatiss, general manager of Shell Vietnam.

The first hurdle the oil industry must jump is deregulation. Vletnam's socialist princlples of maintaining subsidies on utilities present a formidable obstacic to a free market. Hanol would bave to show some flexibility on this before any foreign company would be willing to invest, and so far the government has shown no sign of even debating such a move. Another problem is a possi-ble turf war between Petroli-

mex, which dominates the local fuel market, and Petro-Vietnam Processing and Distribution (PVPDC), a company set up by the state energy agency last September to challeage Petrolimex.

The move was instigated to enable PetroVietnam to extend its reach from exploration into downstream activities. Petro-Vietnam has signed 29 contracts with foreign companies for offsbore exploration and bas a large etake in the feasi-bility study for Vletnam's first



Despite the increasing demand, foreign companies cannot dispense fuel

The establishmeot of PVPDC sets the scene for a battle between the new company and

Petrolimes, a monolithic company run by the ministry of trade and which bas 70 per ceot of the downstream market. Four smaller companies account for the remainder. PetroVletnam, with a strong

fuels distribution and marketing network, will be well placed to profit from the country's first oil refinery, in which it will have a large stake.

PetroVietnam has said the efinery, planned for a remote coastal site at Dung Quat, will be producing 130,000 harrels per day. Five foreign compaPont of the US, Petronas, Malaysia's state oll agency, LG Group of South Korea, and Chinese Petroleum and China Investment and Development of Taiwan - are working with PetroVietnam on a feasibility study that should be finished Petrolimex still selling fuel

in July. Despite having received the nod to set up a rival downstream business, it is not clear how PetroVietnam will achieve "They have been given a mandate to compete in the downstream market but they don't have a tank or a petrol station," says one foreign oil

company executive.

Perhaps more serious, the Vietnamese have yet to decide on details of its competitive environment. Industry experts say it would be unworkable to have PetroVietnam controlling the distribution and sale of output from Dung Quat with

In any case. Petrolimex is likely to take a dim view of PetroVietnam's ambitions, particularly having received no signals from the government that it should make way for a

second, state-run player. in addition, the prospect of having to lay off some of its bloated workforce of 13,000.

inevitable given a competitive challenge from PVPDC and possibly foreign companies, is likely to encourage Petrolimex to dig in its heels.

PetroVietnam's only hope. foreign oil companies say, is to play the refinery card and hope this will work in the long term. Whatever national company has a refinery has got one over any other company," says the oil executive.

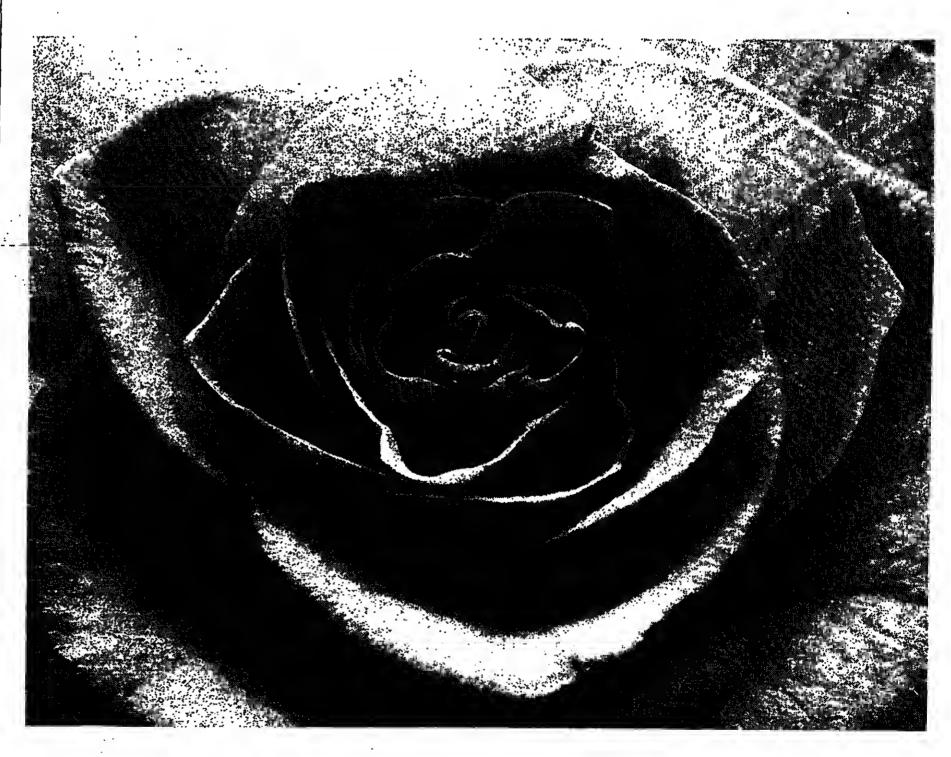
This is where the question of the refinery is crucial. Despite bluster from the government over its plans for the refinery, oll industry experts doubt it will be up and running by the target date of 2000. Investors have to build the surrounding infrastructure from scratch. even if they are able to find someone willing to finance the

project. Meanwhile, there are worries that crucial decisions on opening up the downstream sector will be postponed until Hanoi sorts out Petrolimex's and PetroVletnam'e respective roles. This is bound up to an extent with the timetable oo the first refinery.

Dr Mr Nguyen Thanh Hai, deputy managing director of PVPDC, says foreign companles could be involved but that the debate over the extent of their involvement has only just

Jeremy Grant

### New Promise Unfolds



April 1, 1996

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### EU poised to settle rift on S Africa pact

EU foreign ministers yesterday were poised to agree a man-date for a wide-ranging trade pact with South Africa, ending four months of internal EU wrangling over the terms of of the deal even before negoti-

Some EU members, notably France and Germany, blocked the draft mandate as it included proposals for the creation of a free trade area (FTA) between South Africa and the EU. It would be the first trade pact to be negotiated under new World Trade Organisation rules on FTAs.

EU member states feared the deal could set difficult precedents for other FTA accords and that opening EU markets to certain South African agri-cultural products would threaten the Union's agricultural sector.

The accord is likely to continue to provoke controversy as member states have insisted on excluding a range of "sensitive" agricultural products from the free trade aspect of

Trade officials have warned that the exclusion list, which accounts for 38 per cent of South Africa's agricultural exports, could mean the deal contravenes WTO rules which stipulate FTAs should cover substantially all trade between

"There is little room for

said: "If more products are added to the list during the course of negotiations, we risk heing in breach of WTO

A further fear is that South Africa could reject the terms ations begin. Pretoria was initially opposed to the agree-ment including the eventual instead that South Africa should be given preferential trade terms offered under the

Mr Abdul Minty, deputy director general in the South African foreign ministry, said rejection of the accord remained an option. "Such a decision will depend on how restrictive the accord is."

He said South Africa was anxious to stress the agreement was not "simply a queswider relationship - South Africa's transition to democ racy and its role in conflict prevention in the region". Britain and Sweden are

expected to agree to the mandate reluctantly, insisting the list of excluded products would make it difficult to negotiate a satisfactory agre ment competible with WTO rules. "Britain will want a clear understanding from the to come back for more conces-

### Yamaha in India motorcycle deal

Escorts Limited, the flagship company of India's Escorts group, yesterday signed a joint venture agreement with Yamaha Motor of Japan to set up a Rs2.1bn (\$60.8m) manufac-turing hub in India to produce motorcycles for domestic and export markets.

The partners will each invest Rs900m in Escorts Yamaha Motor, with the remainder coming in equity. The joint venture will take over the turing facilities of Escorts' plant at Surajpur in Uttar Pradesh, near Delhi, where the Yamaha RX100 model has been manufactured with technical expertise from Yamaha since

A new motorcycle model, the 135cc Yamaha RXG, will begin production from April 1.

The larger RXG model will eventually replace the 100cc RX100 model, which does not conform to latest pollution

Escorts will phase out the RX100 in India by July, but export to South America and

Mr Anil Nanda, vice-chair man and managing director of Escorts Ltd and chairman of Escorts Yamaha, said he expected Escorts' 25 per cent share in the Indian two-wheeler market to climb to 35 per cent in the next five years, with plans to sell more than 100,000 units of the new model in the first

Other models, including what could be india's first fouratroke motorcycle, would be introduced by 1998.

The company's plans include an increase of more than 20 per cent in turnover, compounded annually, and an annual increase of 25 per cent in export turnover, with an export target of up to 40 per cent of production volume. Mr Nanda said the companies would co-operate in two other ventures - marketing and research and development. Yamaha would hold a major

ity stake in the research and

development venture while Escorts would control the mar-

Beijing claims success in putting pressure on Lee over reunification

### China praises Taiwan's president

By Tony Walker in Beijing and Laura Tyson in Taipei

China displayed an abrupt change of approach vesterday when it appeared to praise President Lee Teog bui of Taiwan, after spending the past nine months castigating him for his alleged independence tendencies.

The official Xinhua news agency portrayed Mr Lee as baving advocated reunification during his successful campaign for a popular mandate through a presidential election last Saturday. although it made plain that It believed Chinese pressure had obliged him to adopt this position.

The struggle carried out in the mainland and overseas against splittism and Taiwan independence had dealt a telliog blow to those advocating Taiwan

independence and splittism," Xinhua said. "During the election Lee Teng-bui had to declare time and again that be will seek China's reunification, that he will not pursue Taiwan independence. and that after winning the election he will try to improve cross-straits relations," it added.

A senior Taiwanese official charged with shaping the country's policy toward China called, meanwhile, for restoration of contacts between Taipei and rival Beijing to ease tensions.
"We want dialogue, not confronta-

tion . . relations of mutual assistance and development," said Mr Chang Kinguh, chairman of the cabinet-level Mainland Affairs Council

Another senior Taiwanese official challenged China to hecome demo-cratic, dangling the lure of speedy vol-

untary unification if it were to do so. "As long as China can make up its mind four years from now to elect the president of all China with all the Chinese in Taiwan - that will be the time of the real reunification of China." Mr James Soong, provincial governor, told a rally in southern Taiwan.

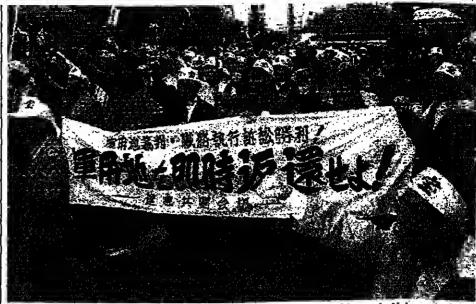
Both Taipei and Beijing officially seek eventual unification, but do not agree on the timing or method. The government spokesman, Mr Jason Hu, yesterday departed for the US to explain Taiwan's post-election political situation and current policy toward China. In Beijing, a western official said it was "heartening" that China should have decided to "ratchet

down" tensions with Taiwan. She said it showed that Beijing was capable

China, which concluded military exercises yesterday in the Taiwan Strait, had conducted missile tests and a number of rounds of military exercises in attempts to intimidate voters in the island's first democratic presidential election. Nonetheless. Mr Lee won with 54 per cent of the vote.

Taipei share prices ended flat after an early rally yesterday was eroded by profit-taking. Investors are waiting for more definitive signals as to the future direction of cross-strait relations.

China's surprising about-face on Mr Lee has been accompanied by conciliatory offers of high level meetings across the Taiwan Strait and calls for the speedy conclusion of agreement on direct air, sea and postal links. of deftness when it realised it A lesson for the Chinese, Page 12



### New move to catch that falling Star

comed the advice. Indeed the words from a Chinese official carried an implied criticism of the efforts of his global media group News Cor-poration to break into the

The message was passed informally to Mr Murdoch last year that "when a giant comes to China. he should tread

lightly". Whether Mr Murdoch and executives of his Hong Kongbased satellite broadcaster Star TV have absorbed this advice is moot as they make fresb efforts to overcome resistance to distribution within China of Star programming.

Star TV's aunouncement that it was linking up with two Hong Kong-based companies -Today's Asia and China Wise International - to provide a satellite service tailored for the Chinese-language market is the latest in a series of attempts by the Murdoch organisation to strengthen its footbold in China.

But the deal will not of itself deliver for Star access to the coveted subscription cable market in China which remains the holy grail for Mr Murdocb. Star will need main-land partners if it is to secure a share of subscriptions that would come with the officially sanctioned distribution of a cable service re-transmitting finds a way to crack the cru-Star's satellite-delivered mate-cial China market, prospects

While Star's satellite service claims an audience of 32m homes in China, the response from advertisers has been

Siar clearly hopes that in time its new Mandarin Chinese-language service, to be called Phoenix, will be accepted by Beijing for widespread cable distribution; although conspicuously absent from vesterday's announcemont was even so much as a cent of the new venture, is bint of any ne-up with mainland organisations such as release as managing director of China Central Television or

Tony Walker examines the latest attempt by Rupert Murdoch to secure a place in the all-important China market for his troubled Asia broadcasting company



the Ministry of Radio, Film and Television capable of deliver-Star, which broadcasts Asia-

wide, is losing \$80m (£53m) to

\$100m annually, and unless it are for continuing losses. It is not clear how its deal with the two Hong Kong-based companies would smooth the way for Star in China; although in a murky world of back-door deals and connections such a possibility cannot be ruled out. Star's partners in Phoenix certainly could not be described as frontline players in regional media. Mr Cban Wing Kee, head of Today's Asia, which will bave 45 per referred to in Star TV's press

Manufacturing Company. Today's Asla's media activi-

ties have involved investment in TV production and publish-ing, including a programme on Deng Xiaoping and an eightvolume pictorial history of China, Mr Chan is a member of the 150-member Preparatory Committee established by Beijing to oversee the handover next year of Hong Kong to Chinese sovereignty. Mr Zhou Yi Nan, whose

China Wise International will have 10 per cent, is said to have "wide-ranging experience in both the technical and programming sales and distribution aspects of the industry". China Wise itself was said to act as a sales and marketing agent for television stations in China, Inquiries of Mr Zhou's office in Hong Kong yesterday the Yangtzekiang Garment

A representative of China Central Television in Beijing said the organisation had "no knowledge" of Today's Asia or China Wise. Furthermore, CCTV had "not been in touch with Star for months, let alone involved in negotiations". Staritself has sought to engage CCTV in negotiations over a long period, but with limited

The Phoenix deal, which will involve the establishment of three Chinese-language channels to broadcast sport, films and popular entertainment as a means of raising Star's profile in China, smacks of News Corp's somewhat scattergun approach. It is an open question whether this approach will soften Beijing's resistance

Efforts to break into China include a \$10m-\$15m investment in a film studio with Tianjin television to the east of Beijing, a \$5.4m investment in an on-line computer publishing venture with People's Daily, the Communist party newspa-per, and a \$1m deal with Ms Deng Rong, daughter of China's supreme leader Deng

Xiaoping, to publish her father's biography. But for Star - Mr Murdoch paid \$500m for the network in 1993 and is looking at an over-all investment of \$1bn before he turns a profit - the stakes are high and access to subscription-paid cable networks remains a glittering prize.

An indication of the enormous potential of cable in a country where the estimated national urban viewing audience is 350m (the total televi-sion audience is 852m) is experience in both Shanghai and Beijing. In Shanghai, subscribers leapt to 1.5m virtually overnight when the new cable ser-vice hecame available last year. In the capital subscribers to Beijing Cahle number 1m.

But Star faces formidable opposition in its efforts to secure entry to China for a cable subscription service. CCTV itself is developing its own cable network and would not necessarily welcome Star

as a competitor. Star also had "serious political problems" with Chinese TV regulators, according to a forcialises in the media. China's crackdown on satellite dishes in 1993 came partly in response to Star's own claims that its satellite broadcasts were reaching 32m Chinese households. Beijing saw this as an affront to its efforts to control the flow of information into the coun-

In the end, Mr Murdoch's cause has not been helped by his statement in September 1993 that "advances in the technology of telecommunications have proved an unambiguous threat to totalitarian regimes everywhere". Chinese officials have long memories.

### Okinawa told to renew leases to US military

By William Dawkins in Tokyo

A Japanese high court yesterday provided legal back-ing for the largest US military base in Asia by ruling that the governor of the island of Okinawa must renew US leases

The ruling by a court in Naha, the Okinawan capital, authorises Mr Ryutaro Hashimoto, the prime minister, to sign the leases after three days if Mr Masahide Ota, governor of the small southern island which is host to 28,000 of the 47,000 US troops stationed in

Japan, continues to refuse. This brings to a climax an emotional protest by Okinawans against the island's military burden, seen by the US and Japanese governments as central to the two nations' Asia, an insurance against instability in a historically voletile region.

deciding whether to sign. Ini-

expropriation of land was constitutional.

Mr Ota said he would consult those concerned before

projecting US force into east

tial indications were that Okinawans were accepting the judgment with relative calm.
Mr Ichiro Otsuka, the presiding judge, rejected the governor's claim that compulsory

Okinawan protests at the Japanese government's insistence that the island host such a large contingent of troops boiled over into an open campaign for the removal of all troops after last September's rape of a schoolgirl, Three US servicemen were convicted of

the offence. In consequence, nearly 3,000 tions centre.

compulsorily lease territory to the US announced that they would refuse to renew leases representing around a tenth of the land used by the US mili-

Of the total, 35 leases were included in yesterday's indgment. One plot, containing a military telecommunications post in Yomitan, was due to expire at the end of this month. Mr Hashimoto, a firm supporter of the security alliance, was expected to sign the lease without hesitation. However, legal officials said the new lease would not he ready by the deadline. That means Mr Hashimoto would have to consult an Okinawan prefectural panel on emergency land use to regularise the US use of the Yomitan telecommunica-

### Ramos tries to speed up forces' modernisation

By Edward Luce in Manila

President Fldel Ramos yesterday urged the Philippine armed forces to accelerate the modernisation of the country's ened regional tensions in the Taiwan Straits.

Mr Ramos said implementing sison armed forces modernisation law passed 10 months ago was increasingly urgent hecause of growing uncertainty in the South China Sea. "In such a situation where some of our neighbours are nervously shoring up their

defences on the one hand and rattling their sabres on the other we can hardly afford to forego the modernisation of our armed forces," Mr Ramos told military officers.

The modernisation law, which provides for an initial

\$2bn for military equipment Ramos, a former five-star genover the next five years, is intended to refocus the Philippine military towards external threats after decades of fighting internal Communist and lem separatist insurgen-

ungrading the country's navy and airforce to combat piracy in the South China Sea and to defend the country's claim to parts of the Spratly Islands (contested by five other countries including China).

Manila government officials have expressed frustration at their military's slow pace in acquiring new hardware. One theory is that armed forces chiefs are reluctant to shift from an infantry-based military towards one with a high technology structure, owing to the resultant joh losses. Mr

eral, yesterdey sought to allay fears of large-scale redundancies. Mr Ramos, bowever, did not

say whether a \$127m contract with GEC-Marconi to supply the country's first national Most of the money will go on radar system - for military and civilian use - would go ahead. The deal, suspended in December after a leading sena tor accused the British defence company of overcharging for the equipment, was to be funded by a concessional loan from the UK government

which expires on March 31. The Philippine military. which has complained that it was not consulted on the GEC contract, has opened hidding for a military radar system. This would be the first hardware acquired under the modernisation law.

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CORRIGENDUM TO GLOBAL TENDER NO: IPSEM/MM/54/95-96 DT 22/12/95. published in FINANCIAL TIMES dated 03/01/96

System "Design, Supply Installation and Commissioning of Helicopter Underwater Escape Training Facility on Turnkey basis at Goa, India."

The last/closing date as well as the date of opening of tender extended up to 07/05/96. 1400 Hrs (IST)

#### **LEGAL NOTICES**

#### INSUITACT ACT 1986 TOWNEND & COMPANY UNSURANCE SERVICES) LIMITED ormorly TOWNENO & COMPANY (INSURANCE BROKERS) LIMITED

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ASIA-PACIFIC NEWS DIGEST

### Japan's household spending rises

Japanese household spending rose 3.4 per cent in the year to January, the first increase in eight months, according to official data yesterday, but private sector economists warned this overstated the strength of the recovery.

January spending, reported by the government's Manage ment and Co-ordination Agency, is unusually flattered by comparison with the same month last year, when consum spending plunged in the shocked aftermath of the Kobe earthquake. Nevertheless, this is the latest in a series of encouraging recent economic data, including last week's announcement of a 3.6 per cent amualised increase in gross

domestic product in the three months to December.

The survey is centred on salaried households, though, which have relatively stable spending habits. Elsewhere, the consumer spending upturn is as yet patchy, on the evidence of industry figures issued yesterday. Supermarket sales more or less stagnated - up 0.1 per cent - in February. Department stores, whose sales are around half those of supermarkets, reported a 5.1 per cent increase in business last month, thanks to clearance sales. William Dawkins, Tokyo

#### N-powers sign Pacific treaty

France, Britain and the US signed the South Pacific Nuclear Free Zone Treaty yesterday, agreeing to ban nuclear weapons from the region in a move hailed as finally ending its use as a nuclear "playground". In a signing ceremony in the Fijian capital. Suva. representatives of the three nuclear powers put their long-sought signatures to the 11-year-old treaty, joining the other declared nuclear powers, Russia and China. The signing comes two months after France carried out its sixth and final underground nuclear test in French Polynesia.

harmed French ties with the region. The South Pacific Forum, which represents the region's 16 nations, including Australia and New Zealand, said France's commitment to the treaty would help repair relations and put an end to nuclear tensions in the region.

The test series was widely condemned in the South Pacific and

■ Retail sales in Hong Kong fell 8 per cent in January from a year earlier, the colony's Census and Statistics Department said yesterday, blaming a later Chinese New AFX Asia, Hong Kong ■ India must invest up to \$150bn (£98bn) in its oil and natural gas industry by 2010 to meet a projected trebling in demand, said Mr Bob Atkinson, area export manager for Britain's

■ The Philippines expects gross domestic product growth of 6.9 to 7.6 per cent in 1997 after 6.2 to 6.9 per cent this AFX Asia, Manila

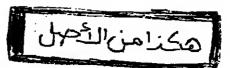
Department of Trade and Industry.

#### INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

	E UNIT	ED ST	ATES			<b>JAPA</b>	LN				E GER	MANY			
	Codegmer prices	Producer	Eurinos	(int.	Roek exchange	Conjuster	Producer		U-la Inha-r	Heek exchange yele	Consumer	Producer		Unit	Real
985	100.0	100.0	100.0	100.0	100 C	grices _	100.0	Earnings	100.0	100.0	prices	prices	Earnings	costs	rate
86	101.9	8.89	102.1	99.8	100.0 65.0	100.0 100.9	95.3	100.0 101.4	100.0 102.8	118.4	100.0 99.9	100.0 97.5	100.0 103.6	100.0 103.8	100
87	105.6	190.7	103.8	97.5	76.1	101.3	92.5		100.1	122.8	100.1	95.0	107.9		107
88	109.9	103.2	106.6	99.4	71.0	102.4	92.3	103.1	96.9	130.9	101.4	96.2	112.6	107.1 106.9	110 109
89	115.2	108.5	109.9	101.4	74.8	105.1	94.2	114.0	96.9	123.5	104.2	99.3	117.1	108.0	107
90	121.5	113.9	113.5	104.0	73.2	108.4	95.7	120.1	89.8	108.1	107.0	101.0	123.5	110.3	109
91	126.8	116.3	117.3	107.3	73.9	111.9	96.8	124.3	104.0	114.2	110.9	103.4	131.3	115.0	107
32	130.4	117.7	120.1	107.0	74.0	114.0	95.9	125.8	112.9	115.9	116.6	104.8	138.2	121.5	110
33	134,3	118.2	123.1	106.7	76.3	115.4	94.3	125.8	118.9	133.5	121.7	105.1	145.6	125.9	111
94	137,8	118.8	126.5	105.A	74.3	116.2	92.6	128.3	118.5	139.0	125.1	105.7	150.8	118.1	110
95	141,7	122.2	129.5	104,7	68.7	115.9	92.0	132.4	115.9	140.4	127,4	107.5			115
qtr.1995 d atr.1995	2.8	1.7 2.1	2.1	-1.3	70.2	00	-0.8	4.0	4.0	140.5	2.0	1.7	1.9		115
qtr.1995	3.1 2.6	1.8	2.3 2.7	-0.5	66.5	-0.1	-0.5	2.2	-3.4	153.4	1.6	1.9	3.8		116
qtr.1995	2.7	2.2	2.6	-0.7 -0.3	58.5 69.6	-0.2 -0.8	-0.7 -0.7	3.7 3.1	-0.3	136.7 129.1	1.7 1.7	1.9 1.a			115
urch 1995	2.8	1.8	22	-1.1	68.2	-0.4	-0.5	3,4	-3.6	145.7	1.8	1.6			115.
rii	ao	21	2.3	-0.6	66.1	-02	-0.4	3.5	-4.S	155.0	2.1	2.0	na.		117. 117.
y'	3.2	2.2	2.2	-0.5	66.6	-0.1	-0.5	3,5	-3.7	152.5	1.8	1.9	n.a.		118
ne .	3.0	2.1	2,3	-0.5	66.5	0.0	-0.6	8.0	-2.0	152.8	1.9	2.0	n.a.		116
У .	2.8	1.7	2,8	-0.2	66.6	-0.1	-0.7	6.4	-0.3	147.1	1.8	2.0	п.е.		118
guat	2.6	1.3	2.8	-0.5	68.7	-0.4	-0.7	0.3	-0.2	138.1	1.7	7.8	п.а.		114,
ptember	2.5	1.8	2.6	-1.4	69.9	-0.1	-0.8	2.4	-0.4	130.8	1.8	1.9	n.a.		114
tober	2.6 2.6	2.3 2.0	2.6	-0.6	69.2	-0.8	-0.6	23	-1.4	129.3	1.8	1.6	п.в.		115.
vernber cember	2.5	2.0	2.5 2.7	-0.5	68.6	-0.9	-0.6	1.2	-0.4	128.1	1.7	1.3	n.a.		115
uary 1996	27	2.3	3,3	0.2	70.2	-0.5	-0.8	4.2	-0.8	129.6	1.8	1.2	n.a.		114,
brusry	2.6	2.0	3,3	-0.8	71.1	-0.4 -0.2	-0.8	0.8		125.7	1.5	-02	n.a.		113.
	FRAN	ICE				E ITAL	7			<u></u>	E (Our		IGDON		
	Contestor			Unit	Real exchange				Unit	Real exclusive		CD MI	IGDUM	Unit	Real
	byoga	Predeter prices	Latrings	costa	(alg	Continue	Producer prices	Europe	labour Costs	catalings extension	Consumer prices	Producer prices	Exchos	labour conto	Acchiece rate
35	100,0	100,0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.
36	102.5	98.0	104,5	101,8	103.4	106.1	100.2	104.8	102.7	101.3	103.4	101.4	107.7	105.1	94.
37	105.9		107.8	103.0	104.7		103.2	111.6	105.5	102.1	107,7	104.8			
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39	108.8 112.6	102.9 108.2	111.1 115.4	104.1 105.2	102.1 99.8	116.5 124.2	108.8 113.1	118.4 125.6	109.7 112.3	100.9 105.1	113.0 121.8			110.3	102
39 30	108.8 112.6 116.5	102.9 108.2 107.1	111.1 115.4 1 <b>20.6</b>	104.1 105.2 109.6	102.1 99.8 102.9	116.5 124.2 131.8	108.8 113.1 117.6	118,4 125,6 134,7	109.7 112.3 118.8		113.0 121.8	108.7	126.2 137.2	110.3 115.1	102 101
<b>39</b> 30 91	108.8 112.6 116.5 120.2	102.9 108.2 107.1 105.8	111.1 115.4 120.6 125.8	104.1 105.2 109.6 113,4	102.1 99.8 102.9 100.7	116.5 124.2 131.8 140.3	108.8 113.1 117.6 121.7	118,4 125,8 134,7 147,8	109.7 112.3 118.8 129.5	105.1 111.9 113.1	113.0	108.7 113.9	126.2	110.3 115.1 122.7	102 101 102
<b>39</b> 90 91 32	108.8 112.6 116.5 120.2 123.1	102.9 108.2 107.1 105.8 104.3	111.1 115.4 120.6 125.8 130.3	104.1 105.2 109.6 113,4 115.6	102.1 99.8 102.9 100.7 104.5	116.5 124.2 131.8 140.3 147.7	108.8 113.1 117.6 121.7 124.0	118,4 125.8 134,7 147,8 155.9	109.7 112.3 118.8 129.5 134.3	105.1 111.9 113.1 109.8	113.0 121.8 133.3	108.7 113.9 121.0	126.2 137.2 150.1 162.4	110.3 115.1 122.7 129.5	102 101 102 105
39 30 31 32 33	108.8 112.6 116.5 120.2 123.1 125.6	102.9 108.2 107.1 105.8 104.3 101.8	111.1 115.4 120.6 125.8 130.3 133.7	104.1 105.2 109.6 113,4	102.1 99.8 102.9 100.7 104.5 107.0	116.5 124.2 131.8 140.3 147.7 153.9	108.8 113.1 117.6 121.7 124.0 128.7	118,4 125.8 134,7 147,8 155.9 161.6	109.7 112.3 118.8 129.5 134.3 135.7	105.1 111.9 113.1 109.8 85.5	113.0 121.8 133.3 141.2 146.4 148.7	108.7 113.9 121.0 127.5	126.2 137.2 150.1	110.3 115.1 122.7	102 101 102 105 97
99 90 91 92 93 94	108.8 112.6 116.5 120.2 123.1 125.6 127.7	102.9 108.2 107.1 105.8 104.3	111.1 115.4 120.6 125.8 130.3	104.1 105.2 109.6 113,4 115.6	102.1 98.8 102.9 100.7 104.5 107.0 106.5	116.5 124.2 131.8 140.3 147.7 153.9 160.0	108.8 113.1 117.6 121.7 124.0 128.7 133.5	118,4 125,8 134,7 147,8 155,9 161,6 187,0	109.7 112.3 118.8 129.5 134.3	105.1 111.9 113.1 109.8 65.5 93.5	113.0 121.8 133.3 141.2 146.4 148.7 152.4	108.7 113.9 121.0 127.5 131.5	126.2 137.2 150.1 162.4 173.1	110.3 115.1 122.7 129.5 130.5 130.4	102 101 102 105 97
99 90 91 92 93 94	108.8 112.6 116.5 120.2 123.1 125.8 127.7 130.0	102.9 108.2 107.1 105.8 104.3 101.8 102.7	111.1 115.4 120.6 125.8 130.3 133.7 136.7	104.1 105.2 109.6 113,4 115.6	102.1 99.8 102.9 100.7 104.5 107.0 106.5 105.8	116.5 124.2 131.8 140.3 147.7 153.9	108.8 113.1 117.6 121.7 124.0 128.7	118,4 125,8 134,7 147,8 155,9 161,6 187,0 172,2	109.7 112.3 118.8 129.5 134.3 135.7	105.1 111.9 113.1 109.8 85.5	113.0 121.8 133.3 141.2 146.4 148.7	108.7 113.9 121.0 127.5 131.5 136.7	126.2 137.2 150.1 162.4 173.1 180.9	110.3 115.1 122.7 129.5 130.5	102, 101, 102, 105, 97, 90,
89 90 91 92 93 94 95	108.8 112.6 116.5 120.2 123.1 125.6 127.7 130.0	102.9 108.2 107.1 105.8 104.3 101.9 102.7	111.1 115.4 120.6 125.8 130.3 133.7 136.7	104.1 105.2 109.6 113,4 115.6	102.1 99.8 102.9 100.7 104.5 107.0 106.5 105.8	116.5 124.2 131.8 140.3 147.7 153.9 160.0 168.8	108.8 113.1 117.6 121.7 124.0 128.7 133.5 143.9	118,4 125.8 134,7 147,8 155.9 161.6 167.0 172.2	109.7 112.3 118.8 129.5 134.3 135.7	105.1 111.9 113.1 109.8 65.5 93.6 90.8	113.0 121.8 133.3 141.2 146.4 148.7 152.4 157.8	108.7 113.9 121.0 127.5 131.5 136.7 140.1 145.9	126.2 137.2 150.1 162.4 173.1 180.9 189.5 187.9	110.3 115.1 122.7 129.5 130.5 130.4 130.4	102 101 102 105 97 90 91 88
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99 90 91 92 93 94 95 1 qpr.1995 1 qpr.1995	108.8 112.6 116.5 120.2 123.1 125.6 127.7 130.0	102.9 108.2 107.1 105.8 104.3 101.9 102.7	111.1 115.4 120.6 125.8 130.3 133.7 136.7	104.1 105.2 109.6 113,4 115.6	102.1 99.9 102.9 100.7 104.5 107.0 106.5 106.8 106.2 105.4 107.0	116.5 124.2 131.8 140.3 147.7 153.9 180.0 168.8 4.4 5.5	108.8 113.1 117.6 121.7 124.0 128.7 133.5 143.9 6.5 6.8 9.0	118,4 125.8 134,7 147.8 155.9 161.6 167.0 172.2 2.5 2.3 3.6	109.7 112.3 118.8 129.5 134.3 136.7 137.9	105.1 111.9 113.1 109.8 65.5 93.6 90.8 86.6 87.4 82.4	113.0 121.8 133.3 141.2 146.4 148.7 152.4 157.8 3.4 3.7	108.7 113.9 121.0 127.5 131.5 136.7 140.1 145.9 3.6 4.2 4.4	126.2 137.2 150.1 162.4 173.1 180.9 189.5 187.9 5.0 4.7 4.3	110.3 115.1 122.7 129.5 130.5 130.4 130.4 134.7 2.1 3.0 3.5	102. 101. 102. 105. 97. 90. 91. 86. 97. 88.
90 00 11 12 13 14 15 14 15 14 1995 140,1995 140,1995 140,1995	108.8 112.6 116.5 120.2 123.1 125.6 127.7 130.0	102.9 108.2 107.1 105.8 104.3 101.8 102.7 7.5 8.8 7.7	111.1 115.4 120.6 125.8 130.3 133.7 136.7	104.1 105.2 109.6 113.4 115.6 118.1	102.1 98.8 102.9 100.7 104.5 107.0 106.5 106.8 106.2 105.4 107.0 107.5	116.5 124.2 131.8 140.3 147.7 153.9 180.0 168.8 4.4 5.5 5.7	108.8 113.1 117.6 121.7 124.0 128.7 133.5 143.9 6.5 6.8 9.0 7.2	118.4 125.6 134.7 147.8 155.9 161.6 187.0 172.2 2.5 2.3 3.6 3.9	109.7 112.3 118.8 129.5 134.3 136.7 137.9	105.1 111.9 113.1 109.8 65.5 93.5 90.8 89.6 87.4 92.8	113.0 121.8 133.3 141.2 146.4 148.7 152.4 157.8 3.4 3.7 3.2	108.7 113.9 121.0 127.5 131.5 136.7 140.1 145.9	126.2 137.2 150.1 162.4 173.1 180.9 189.5 187.9	110.3 115.1 122.7 129.5 130.5 130.4 130.4 134.7	102 101 102 105 97 90 91 88
90 01 12 22 33 44 55 44 1995 40,1995 40,1995 41,1995	108.8 112.6 116.5 120.2 123.1 125.6 127.7 130.0	102.9 108.2 107.1 106.3 104.3 101.9 102.7 7.5 8.8 7.7	111.1 115.4 120.6 125.8 130.3 133.7 136.7	104.1 105.2 109.6 113.4 115.6 118.1	102.1 98.8 102.9 100.7 104.5 107.0 106.5 106.8 106.2 105.4 107.0 107.5	116.5 124.2 131.8 140.3 147.7 153.9 180.0 168.8 4.4 5.5 5.7 5.9	108.8 113.1 117.6 121.7 124.0 128.7 133.5 143.9 6.5 6.8 9.0 7.2	118.4 125.6 134.7 147.8 155.9 161.6 167.0 172.2 2.5 2.3 3.6 3.9	109.7 112.3 118.8 129.5 134.3 136.7 137.9	105.1 111.9 113.1 109.5 93.5 90.8 89.6 87.4 92.8 85.3	113.0 121.8 133.3 131.2 146.4 148.7 152.4 157.8 3.4 3.4 3.7 3.7 3.2	108.7 113.9 121.0 127.5 131.5 136.7 140.1 145.9 3.6 4.2 4.4 4.4	126.2 137.2 150.1 162.4 173.1 180.9 189.5 197.9 5.0 4.7 4.3 3.9	110.3 115.1 122.7 129.5 130.5 130.4 130.4 134.7 2.1 3.5 4.5	102 101 102 105 97 90 91 88 90 87 88
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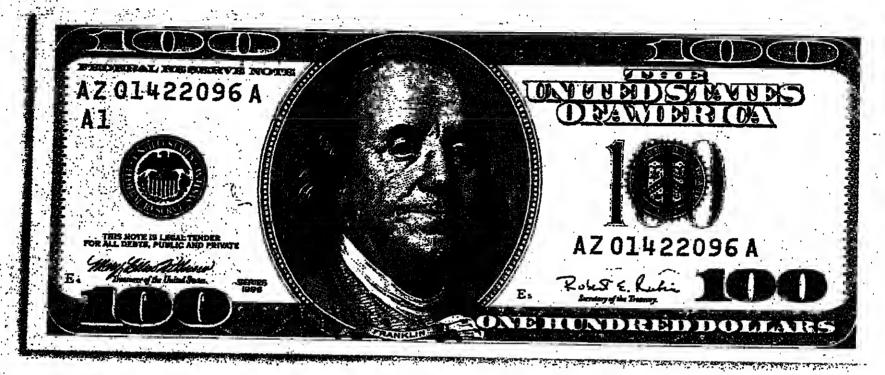
Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from netional government and IMF sources, and by JP Morgan, New York.

Constitutes prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US - first-hed goods, Japan - manufactured goods, Germany - industrial products. France - intermediate goods, Italy - Lotal producer prices. UK - majuractured products. Earnings index not seasonally adjusted, refers to servings in manufacturing except I france and Italy (wege rates in Industry). Hourly except Japan (monthly) and UK (weekly). Unit labour coasts: seasonally adjusted, measured in domestic currences. Germany - mining and manufacturing, other countries - manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currences, adjusted for change in relative wholesale price of demestic manufactures. A fail in the index indicates improved international competitiveness.



Introducing the new U.S. \$100 note

### It doesn't look quite the same,



NEW



OLD

### but it's worth the same.

The 1996 U.S. \$100 note, which will soon be in circulation, has been redesigned for one simple reason: to stay ahead of new printing technologies that could be used for counterfeiting.

Both the new notes and the older notes in circulation have exactly the same value. You will always be able to use them interchangeably.

The 1996 U.S. \$100 note is the first denomination to be redesigned. Other denominations will be phased in over the next several years.

#### Additional features for greater protection.

In order to accommodate a number of new security features, the overall design has been changed.

While the note is still easily recognizable as American currency, the portrait of Ben Franklin has been enlarged and moved slightly off center to create space for a

watermark. This mark will be visible when the note is held up to the light.

Other features include the addition of color-shifting ink, microprinting, concentric fine-line printing and a security thread that now glows under ultraviolet light.

#### No recall. No devaluation. No time limit.

It is important to remember that the United States government will continue to honor all its currency now in circulation at its full face value. The United States has never recalled or devalued any of its currency and will not do so now.

If you have any questions, please contact the nearest U.S. Embassy or the U.S. Treasury Global Information Center at (202) 872-8177.







This message from the U.S. Treasury and the Federal Reserve Board

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Economics Correspondent

Unemployment could fall much further in the UK without triggering inflation, the Organisation for Economic Co-operation and Development believes. The argument, which comes as the OECD prepares its latest annual report on the UK economy, is likely to provide a welcome hoost for the British government. However, the OECD also fears that

growing social inequality is present-

ing a serious problem for policy- with OECD economists and other reforms in the 1980s on the broader closed by Mr Kenneth Clarke, chanmakers. In an argument likely to be seized on by the opposition Labour party, the OECD says a principal priority for the government should be finding ways to reintegrate the excluded, unemployed poor. The report on the UK economy by the OECD, which acts as an influential free market think-tank for industrialised nations, will not be completed until early summer.

However, UK government officials have had discussions this month member countries about preliminary drafts of the report. The OECD currently has 26 members, and Hungary wili be granted membership at the

The OECD believes the British economy will show steady growth in the coming year, albeit with the upturn coming slightly later than the UK Treasury expects. Meanwhile, the Paris hased group is increasingly optimistic about the impact of British labour market

economy. OECD economists have previously indicated that they believed that unemployment in the UK could fall to about 7 per cent from its current 7.9 per cent without triggering inflation.

However, some now suspect that it could fall even further - perhaps as far as below 6 per cent - without fuelling inflation. This drop would yield an unemployment rate of about 1.5m, which would be in line with the British government target discellor of the exchequer

However, with the OECD believing that this trend leaves the UK with one of the better labour market pictures in Europe, it is now focusing its criticism on other areas of the economy - including inequality.

An OECD study at the end of last year showed that, although income differentials in the UK were smaller than countries such as the US and Italy, the gap between rich and poor grew faster during the 1980s than in

This development has prompted concern at the OECD. However;

recent criticism over the issue has irritated some UK government officials. They question whether the issue should he included in the OECD's analysis, partly because the methodology for calculating income inequalities is controversial. But the OECD argues that it is now trying to include e far greater focus on social issues such as unemployment and welfare in its economic analysis.

#### More top diplomatic posts go to women

ision's goods

By Bruce Clark, Diplomatic Correspondent

For the first time, more than half the members of a new generation of entrants into the elite division of the British. Foreign Office are female. But the institution which

these bigh-flying young women are joining has becom e tougher place, more like the privote sector in its internal structure, and more focused on promoting UK business in order to justify its existence. Foreign Office officials say

these are some of the main messages in the annual report from an organisation which has to fight harder than ever to keep its budget and con-vince the world it is changing with the times.
From this point of view, the

fact that 12 of the 21 graduates who joined the Foreign Office's elite stream last year are women is welcome. Less: welcome is the fact that only one member of last year's: lucky few, selected from about 2,500 applicants, belonged to an ethnic minority.

In most recent years, the share of female entrants has been one-third or less, and claims by the diplomatic service to be an equal opportunity employer received o blow in January when its top woman, Dame Pauline Nevillelones, resigned after failing to he named amhassedor to Paris. To counter this impression, the report will highlight the case of Ms. Jessica Pearce, Britain's woman in Minsk, who at 38 is among the young-est serving ambassadors.

As for the FO's raison d'être, the report puts more emphasi than ever on the promotion of UK business - asserting that 35 per cent of embassies' activity is commercial compared with 21 per cent for political analysis.

The report will confirm the cuts in spending on the BBC World Service and the British Council, which caused controversy when announced last year. Spending on the World Service is projected to fall to £161m (\$246m) in 1997-98 from £178m in 1995-96.

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### **Photomasking** plant bought by **Photronics of US**

By Ian Hamilton Fazey

Photronics, the leading US manufacturer of photomasks, has bought the photomasking business of GEC-Plessey and will use it as a base for a £47m (\$72m) development at Trafford Park in the northern England

The company also expects to complete the purchase of Litomask in Neufchatel, Switzerland, from the CSEM group later this week. Although Photronics claims to be the largest photomask manufacturer ln the world, it has only a 10 per cent share of the European market and intends to increase

Photomasks are an important element in the manufacture of semiconductor chips. They are high-precision quartz plates containing microscopic images of electronic circuits. These are used for etching circuit patterns into semiconductor wafers.

The Trafford Park development will create about 270 jobs, and 33 jobs will move to the factory from GEC-Plessey's plant at nearby Oldham. The \$47m cost includes the purchase figure, which is not being disclosed. Grants from the UK government, Manchester Training and Enterprise Council and Trafford Park Development Corporation total

The corporation has demolished 20 small industrial units,

huilt less than 10 years ago, to create a 0.8ha waterside site for the new factory in Manchester's docklands, Mr Michael Yomazzo, chief executive of Photronics, said yesterday: "The semiconductor business is a global one where our customers use just-in-time principles and want their photomesks at 24 hours' notice. The European market grew by 45 per cent last year.

We could not service it satisfactorily from the US." Mr Constantine "Deno" Macricostas, chairman, added: "With this, the Swiss purchase and new plants in Singapore and South Korea, we are going glohal. We chose Trafford Park hecause of its excellent strategic location near Manchester Airport and on the

UK national motorway The company's US plants are California, Colorado, Connecticut and Texas. Its main competitor around the world is Du Pont, Mr Macricostas said expansion of manufacturing outside the US was now possible because of Photronics' own growth in domestic markets. Last year it reported record profits and sales of \$125.3m and \$18.6m

respectively. Mr Basil Jeuda, chief of lnward. executive north-west England's inward investment agency, said Photronics was the 32nd project won hy the region in

### Korean company to invest \$13m in N Ireland | could give Names

A small South Korean machine tools company is to invest £8.5m (\$13m) and create 230 jobs in staunchly republican west Belfast, giving a boost to one of the most economically depressed areas of Northern

Ireland. The announcement by YG-1, e privetely owned company. was welcomed by Sinn Féin, the IRA's political wing, and the moderate nationalist Social

Democratic and Labour party. The investment is in line with the government's policy of boosting economic activity in deprived areas like west Bel fast, where unemployment is more than 20 per cent and fear of sectarian violence has frightened off many potential

investors YG-1 will manufacture endmill cutting equipment for the aerospace and automotive engineering sectors in Belfast. It will also locate its European base and marketing and sales operation in the province.

The company is to receive a £3.2m grant from the Northern Ireland Industrial Development Board, which has made a concerted effort to attract South Korean investment. About £70m has been committed to six projects since 1989, with the promise of about 2,000 jobs. A number of other Korean pro-

jects are under discussion Baroness Denton, the Northern Ireland economy minister. is in Japan and due in Seoul, the South Korean capital, on Thursday. She is expected to announce e £15m expansion of Daewoo's video recorder plant An uneasy peace

Feb 9: Blast near Canary Wharf in London kills two men and shatters boildings an hour after IRA statement says that "with great reluctance. ... the complete cessation of military operations will end at 18h00." Feb 10: Pro-British paramilitary opponents of IRA in Northern Ireland say they will "consider their position in a calm and orderly

Feb 14: 500 soldlers from British erroy's Royal Irish Regiment based in England are posted to Northern kelland

Feb 15: Police find small IRA explosive charge in London phone

Feb 18: Romb carried by IRA member in London bus explodes as: he stands up from seat, tearing bus apart. IFA says: "We recret: the loss of life and injuries which occurred."

Mer 5: Political allies of pro-Bittish peramittary groups warn of "serious difficulties" in avoiding return to volence in face of IRA Mar 6: Gerry Adams says after meeting IRA that it is prepared for another 25 years of war ...

Mar 16: Nine-year-old girl shot to her home in Beliest in internal feud in hardline Irish National Liberation Army. Mar 12. Combined Loyalist Military Command, representing antinationalist paramilitary groups, says it is ready to metch IRA blow-Mar 19. Shooting of man from passing car is thought to be INLA

faction'e revenge for attack on girl. Mar 21: Killing of man in Ballymena pub is thought to be sentence by anti-nationalist. Ulster Volunteer Force on one of its own

Mar 22: INLA says "tactical suspension of violence" is over, it is ready for "defence and retallation".

A man was wounded in both legs in a so-called punishment shooting in Bangor, Northern Ireland, last night. Police said the man had been attacked in an area dominated by pro-British

at Antrim, with the prospect of efficiency of the transport a further 330 jobs. links to Great Britain and Negotiations are continuing other parts of Europe, provided with Daewoo over a possible £1bn venture with Texas an irresistible combination of bottom-line business benefits." Instruments for a Northern YG-1 was "also influenced by Ireland semiconductor plant. the comments and achieve-Mr Hokeun Song, the YG-1 ments of Korean companies such as Daewoo, Daesung, and Daeryung already established". president, said: "The attractive incentives package and the

### **Equitas** change extra safeguard

Insurance Correspondent

Lloyd's of London is drawing up proposals which could sig-mificantly improve the attractiveness of its ambitious recovery plan to Names worried that they will never fully escape big liabilities incurred at the insur-

The unpublished proposals agreed with the Department of Trade and Industry in London. affect terms on which e reinsurance company, Equitas, will be set up to take responsibility for hillions of pounds of outstanding US pollution and asbestos-related liabilities.

The scheme is understood to have influenced e "validation" report on Lloyd's recovery plan heing compiled by the London law firm Slaughter and May on behalf of lossmaking Names. The long-awaited report, to be published at Easter, is expected to support the broad thrust of the Lloyd's proposals.

Equitas is an important part of the recovery plan which also includes a £2.8bn (\$4.3bn) offer to lossmaking and litigating. Names (individuals whose assets heve traditionally supported Lloyd's) and is due to be implemented this summer. It should allow Names, who

are paying to set up Equitas, to sign one last cheque and leave Lloyd's. But many Names fear. that if Equitas were at some stage unable to meet liabilities, their "unlimited liability" membership of Lloyd's would

Industry, special arrangements which would come into effect if Equitas looked as if it might be unable to meet liabilities. rium on individual payouts when insurers become insol-

mean they would be pursued

Lloyd's is understood to have

agreed with its regulator, the Department of Trade and

To head off such fears,

for extra funds.

vent, Equitas could continuing paying out e set percentage of the value of each claim. The

LLOYD'S OF LONDON hope is that, by continuing payments, policyholders would be dissuaded from exercising rights to pursue Names to make up the shortfall. Although not unprecedented the unusual nature of the "proportionate cover plan is likely

to raise evebrows among other insurers. Lloyd's is expected to rebut suggestions : that it has won special favours from the DTL however. The "proportion ate cover" plan is described as purely a contingency arrange-ment. "Even if Equites' reserves were doubled, it would still be a sensible mea-

sure," said a Lloyd's insider. British government outhorisation for Equitas is expected next month, based on the assurances that it will have adequate reserves to meet fore-seeable policy claims.

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### **COMPANIES & MARKETS**

OTHE FINANCIAL TIMES LIMITED 1996

Tuesday March 26 1996

#### **LEGAL DEFINITIONS**

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#### IN BRIEF

#### **Energy surge helps Tractebel rise 13%**

Tractebel, the Belgian energy and engineering group, said strong increases in its gas and electricity businesses helped it increase 1995 profits ahead of expectations by 12.5 per cent, from BPr9.6on to BPr10.8bn (\$356m). Page 16

Commerzbank net income falls 7.2% Commerzbank, one of Germany's leading banks. announced a doubling of its operating profits for 1996 to DML 45bn and a higher dividend payment. However, net income was 7.2 per cent lower at DM979m, because the previous year's result had been swollen by the proceeds of asset sales.

SB chief gets \$1.3m relocation exp



Mr Jan Leschly (left), the Danish-born chief executive of SmithKline Beecham, was paid £850,000 (\$1.3m) in relomoved from the UK to the US. The payment was entirely for the costs of mov-ing and did not cover buying any property. The relocation expenses, paid in 1994, were disclosed in the company's annual report. The UK's sec-

ond biggest pharmacenticals company also disclosed that Mr Leschly was paid £1.8m for 1996.

Swiss group seeks cure in investment Ares-Serono, the struggling Swiss pharmaceuticals group, stands at a crossroads, in 1992, net profits were \$107m; last week, the group revealed profits of just \$29.4m for 1995. Its hopes of a turnround lie with a \$400m a year investment programme, due for completion in 1998. Page 17

Matsushita to take digital satellité stake Matsushita, Japan's largest consumer electronics group, is to move into broadcasting by taking a 10 per cent stake in DirecTV Japan, the digital satel-lite broadcasting company which plans to introduce digital satellite broadcasts in Japan next summer, Page 18: TV venture hompers Wharf, Page 18

British Gas gambles in South America British Gas, which has targeted South America as one of two regions central to its global expansion plans, is gambling its future there on three big, but highly risky, projects: a \$900m gas pipeline between Argentina and Chile, a \$25m pipeline from Bolivia to Brazil and the search for oil in disputed waters around the Falkland Islands. Page 19

Morgan Crucible prepares for acquisitions Morgan Crucible, the UK speciality materials and engineering group, said it was poised for further acquisitions in emerging markets such as east Asia and eastern Europe as it reported a 17.1 per cent increase in pre-tax profits in the year to January 4 to £85m (£130m). Page 20

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Market Statistic	:8		
Annual reports service	25-27	FT-SE Actuaries indices	30
Senchmark Govt bonds	. 24	Foreign exchange	25
land futures and options	24	Gills prices	24
Sond prices and yields	24	London strare service	28-27
	23	Managed funds service	28-29
Commodities prices	20	Money markets	25
Hvidende announced, UK			
MS CUITERCY TELES	25	New ind bond issues	24
probond prices	24	Bourses	32-33
bond interest indices	24	Recent leaves, UK	. 36
T/S&P-A World Indices	34	Short-lent int rates	26
T Gold Mines Index	30	US Interest rates	. 24
TASMA Inti bond syc	24	Work! Stock Markets	37
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### Fuji Bank to write off housing loans

Lender rejects government request to abandon claims

Fuji Bank, one of Japan's largest lenders, has decided on a taxable write-off of loans to the country's bankrupt housing loan compa-nies in the financial year which ends this month. The decision, which departs from a government-proposed scheme for liqui-dating the seven companies, or "jusen", reflects a sharp difference of approach among the country's leading banks to the

Officials said the bank, which is one of the founders of Housing

companies, would write off Y50bn (\$476m) of bad loans to the jusen. But the losses would not be tax-deductible because Fuji was not prepared to abandon the rest of its claims on the jusen, as requested by the Japanese

The government is trying to push an unpopular liquidation scheme through parliament, involving the use of Y685bn in public funds. The plan involves write-offs by founder banks of their non-performing loans to the

companies. The finance ministry has told banks that if they all abandon their claims to the housing lenders, they can write off tax-free their loans to the compa-

nies they founded. Last week three leading banks, Sanwa, the Long Term Credit Bank of Japan and the Industrial Bank of Japan, announced tax-free write-offs on the basis that they were complying with the government's scheme by relinquishing their claims. But they suggested that if all the banks did not agree to the scheme, they would step back from a write-off of the bad loans, and instead make loan loss provisions Fuji Bank, which as a founder

bank has fewer loans, appears to have calculated that it has less to gain from tax-deductible writeoffs and more to lose from abandoning all claims, including potentially recoverable ones.

The government is anxious that hanks take the losses as write-offs, Officials fear that if banks opt to build special

(1000 tennes)

Western world production

US stockpile sales

Market belance

Western world consumption

reserves to cover the losses, popular opposition to the scheme would intensify.

The government's liquidation

plans have been delayed by a par-liamentary blockade organised by the main opposition party. Although the blockade was lifted yesterday, bank officials said that until the plan's outcome was clarified Fuji could not abandon all its outstanding lending to the

Fuji has said it will write off YS50bn in bad loans in the current financial year, losses that are expected to produce a Y440bn

#### Halifax to pay £800m for UK life group

By Alison Smith,

Halifax, the UK's largest bnlldlng eociety, yesterday announced an agreed £800m (\$1.2bn) deal to bny Clerical Medical in one of the largest acquisitions so far of a UK life assurer.

The agreement is likely to be Halifax's last takeover before it floats on the Stock Exchange to become a bank next year.

It is latest in a series of rationalisation moves in the UK life assurance sector and follows the purchase by General Accident, dent Mntual late last year.

Several financial organisations had expressed interest in acquir-ing Clerical. They included National Westminster Bank of the UK, which was seen as front-runner, and Fortis, the con-

tinental European insurer. Halifax's acquisition of Clerical, intended to take effect at the end of this year if Clerical policyholders approve, is part of Halifax's plan to become a broadlybased provider of personal finanial services. It should enable Halifax to sell life assurance, pensions and investments through independent advisers. It will keep the Clerical brand name for that purpose. It already sells Halifax Life products through its branch network.

Mr Jon Foulds, Halifax chairman, said: "I think it very unlikely, for all sorts of reasons, that we'll make another acquisition before conversion."

Like other mntual life groups Clerical believes in an increas ingly competitive market it will need more access to capital than it would have if it remained owned by policyholders. Mr Robert Walther, chief exec-

utive, said the increased financial strength from being part of Halifax would be used to lift investment in equities and so improve investment returns. Halifax is contributing £730m

fund - of which £590m is for 10 per cent of future with-profits bonuses and the embedded value of non-profit businesses - and a further £70m as shareholders capital. The payment will be in casb, and the society said it would have very little impact on its capital ratios.

Halifax was advised in this deal by SBC Warburg, although Warburg has lost its role in the society's flotation. Clerical was advised by Schroders.

Supply shortfalls from eastern Europe and China have helped push up prices Lead: the weight of demand

### Flat batteries help drive record demand for lead

recently? If it did, you are not alone in suffering this inconvenience. A long hot summer in 1995 in Europe and North America, coupled with two very cold winters in a row between 1994 and 1996, resulted in high levels of automotive battery failures.

It also caused record demand for lead because the main use for this metal today is for lead-acid batteries, in the US, 85 per cent of lead consumption is accounted for by battery makers. In the western world, 69 per cent of all refined lead produced goes into Lead producers are struggling

to keep up with the jump in demand. Global stocks have fallen to critical levels and London Metal Exchange prices have risen to their highest levels in nearly six years.
On top of that, the LME's lead market has been gripped by a

feroclous technical squeeze and last week the board had to take emergency action to prevent "an undestrable situation" developing. Traders were taken by surprise on Thursday when Mr David King, the LME's chief executive, balted trading just after of carrying over a short position in lead for one day was to be limited to \$27 a tonne.

This premium had been up to \$40. Mr King said the lead market remained orderly but, because of the genuine tightness in lead supplies, "some constraints were necessary to keep it orderly Some traders complained that the LME's action had once again favoured those who bad "gone short" of metal, or sold lead they

that the price would fall and they

could buy it later and pocket the low at this time of year.

Mr King insisted that he had no sympathy for the "shorts" but the LME bad a legal dnty to maintain an orderly market, It also owed a duty to the industries which used the market to bedge their risks. About 90 per cent of base metals industries use LME settlement prices and they expected those prices to reflect the fundamental supply-demand

Those underlying fundamentals are certainly putting upward pressure on lead prices. According to the international

Lead & Zinc Study Group, an intergovernmental organisation, the present tightness in the lead market can be traced to big falls in output last year in China and Kazakhstan, Preliminary statistics from the ILZSG show Chinese production fell 12.4 per cent or 58,000 tonnes compared with 1994, while the drop in Kazakhstan was 29 per cent or 47,000

his resulted in a hig drop in exports from eastern Europe. The CRU International metals consultancy estimates net exports fell 36 per cent. 1994 to 161,000 tonnes. This contributed to lead consumption in the western world exceeding supply by 172,000 tonnes last year compared with a 38,000 tonnes surplus in 1994.

Most analysts snggest the tightness will continue. Mr Neil Hawkes at CRU, estimates the supply shortfall this year will be about 90,000 tonnes. He points out that LME stocks

are already below the critical level of five weeks' consumption and producers' stocks are usually

Supply tightness has now been overlayed by a technical squeeze. This developed after merchants

and investment funds moved some of their mooey into the lead market last month with the aim of driving the price of lead for delivery in three months on the LME to \$800 a tonne. In mid-December, the price had reached a five-year peak of \$746 a tonne but fell when the US hedge funds started selling at the begining of January.

The merchants and funds took tight grip on stocks held in the LME-authorised warehouses in Helsingborg, Sweden, where about 80 per cent of total LME stocks were held.

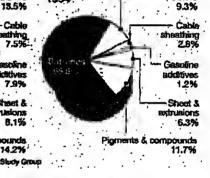
They boped that when the lead price reached \$800 it would trigger a wave of buying by those commodity funds that use compuler programmes and charts to track prices. This, in turn, could send lead up to \$850 a topne or higher. Last week, the threemonth lead price was on the way, touching \$828.50. But most of the pain was felt by those wanting lead for immediate delivery. The LME spot price reached \$927.50 a tonne last Thursday, which meant buyers were having to pay a premium of \$114 a tonne for immediate delivery. Prices have subsided a little since the LME intervened, but yesterday there was still a \$25-\$30 premium for

immediate delivery. While technical tightness seems to be easing, the underlying lead supply shortage remains. CRU's Mr Hawkes says: "The key factor is the Chinese. Will they export more lead because of high prices? In the past they have flooded the market with refined metal at times like this."

And what does this mean for

one Lead and Zinc Study Group battery prices? Mr Angus Mac-Millan, research manager at Billiton Metals, a Gencor subsidiary. suggests that high lead prices would have to persist for a pro-longed period to cause a substan-

tial battery price rise. "Battery producers should have hedged their lead require-



4,781

253

1994.

4,881

161

43

ments because they could see the squeeze coming a long time ago," he says. "Also, producers' battery stocks are high. Most important, there is over-capacity in battery production so the market is very competitive."

Kenneth Gooding | Lex, Page 14

### **Shares in French property** bank fall on fears of big loss

By David Buchen in Peris

Shares in Crédit Foncier de France (CFF), the French prop-erty bank, yesterday closed more than 6 per cent down at FFr72.80, following reports that it would show 1995 losses ranging from FFr3bn-FFr8bn (\$592m-\$1.6bn) after having to make large provi-

CRF which is to approve and publish its 1995 accounts on April refused to comment on reports in the Liberation and Agefi newspapers that the bank was in emergency negotiations with the French finance ministry about possible solutions. These are reported to include the state hiving off some of the bank's loans, recapitalising it, or allowing it to be sold to another bank.

CFF is a private bank quoted on the Bourse, but its manage-ment is under the control of the

government, which until recently last year, but this could endanger allowed it a monopoly on certain types of housing loans. This monopoly was recently removed, aggravating the problems caused by a decline in the value of its

property investments.

The bank was recently given a short-term FFr20bn-FFr25bn credit line by the state-owned Caisse des Depôts. Also, Paribas has been called in to advise Mr Jerôme Meyssonnier, the president, who was nominated by the government in January to replace Mr Jean-Claude Colli.

CFF's biggest single liability is eaid to lie in its subsidiary. Immobilière Foncier Madeleine. which has made property invest-ments in Paris, London, Madrid and Barcelona that are believed to be worth little more than half their FFr5.5bn book value. The new management is said to

the bank's solvency ratio unless the government injects capital or puts non-performing investments and loans into a special vehicle as it did for Crédit Lyonnais or Comptoir des Entrepreneurs.

The government is understood to be reluctant to approach the European Commission for permission to bail out another bank. after it made a succession of res-cue plans for Crédit Lyonnais. Liberation yesterday cited Bayerische Vereinsbank, the German mortgage bank, as a possible candidate to take over CFF if no domestic solution is found.

CFF's unions have pressed the government to take over the bank's doubtful loans and investments, and plan a demonstration on Friday to coincide with a meeting that CFF executives are due to hold with Mr Alain Juppe, want to take heavy provisions for the prime minister.

### Belgacom improves to BFr10.7bn

By Neil Buckley in Brussel

Belgacom, the partiallyprivatised telecommunications company, increased net profits in its final year of full state ownership from BFr9.7bn to BFr10.7bn

The 1995 results are the first announced since a consortium headed by Ameritech, the US telecoms company, and including Tele Danmark and Singapore Telecom, paid BFr73.3bn in December for 49.9 per cent of Belgacom. The deal is the most ambitious move by a west European government to find a strategic partner for a state telecoms

The Ameritech-led consortium beat a joint rival bld from KPN. the Dutch telecoms group, and

Swiss Telecom. The Belgian government hopes the consortium will pull Belgacom into shape in time for bberalisation of telecoms in the European Union in 1998. It sees the sale of the stake as the first step towards a stock market

A shake-up of the executive directors resulting from the privatisation means the new board will not meet to ratify the results until next month, so yesterday's figures are unandited. But they show consolidated turnover up 8.6 per cent at EFT127.1bn, close to the BFr128bn the company predicted in January.

This reflects a 2.3 per cent increase in fixed telephone connections, to 4.6m, and an increase in mobils phone customers from the streets in December to pro-127,000 to 235,000. Belgacom said

in the penetration of ISDN tele-phone services and in overall telephone traffic. Subscription fees had also increased.

Operating expenses had been reduced, with staff numbers down slightly to just below 26,000. Operating profits increased 28 per cent from BFr15bn to BFr20.5bn. Acquisition of the stake has

Europe, and a plum European location, home to many multinational company headquarters. But the consortium partners now face the delicate task of a restructuring programme, expected to lead to further staff cuts. Belgacom employees took to

test about the threat of job cuts.

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#### COMPANIES AND FINANCE: EUROPE

### Tractebel beats forecasts with 12% increase

By Neil Buckley in Brussels

Tractebel, the Belgian energy and engineering group, said strong growth in its gas and electricity businesses helped it increase 1995 profits by 12.6 per cent, from BFr9.6bn to BFr10.8bn (\$356m).

The figures - which are better than expected - exclude an extraordinary profit on financial transactions in 1995 of BFr505m, despite a BFr1bn write-down in the value of Tractebel's sbareholding in Eurotunnel, the Channel tunnel operator.

By Andrew Fisher in Frankfurt

Germany's leading banks, yes-

terday announced a doubling of its operating profits for 1995 and a higher dividend pay-

ment. However, net income

was lower because the previ-ous year's result had been

swollen by proceeds from asset

Operating profits were 109

per cent higher at DM1.45bn

(\$982.9m). The bank will pay a

dividend of DM13.50 a share,

compared with the previous DM12, though this was enhanced by an extra DM1.50

distribution to mark the 125th

anniversary. The payout will cost the bank DM520m, a 15 per cent rise on last year's divi-

The bank produced only the

minimum of figures after yes-

terday's supervisory board

one of

Commerzbank,

increased 8 per cent, from BFr298bn to BFr322bn. Total investment increased to BFrolbn, more than half of it outside the regulated Belgian gas and electricity industry, as Tractebel sought to increase the international spread of its businesses and reduce reliance

In its Belgiao electricity business, Tractebel lifted sales of electricity for distribution by 2.6 per cent. Sales to direct customers in the first two quarters were strong, but a downturn in the final quarter

Commerzbank declines

despite operating surge

meeting. Corporate results are

now announced as quickly as

possible in line with strict dis-

closure requirements on poten-

tially market-moving news. Chairman Mr Martin Kohl-

haussen will give more details

at the bank's annual press coo-

ference this morning.

Net income was 7.2 per cent lower at DM979m, reflecting

the absence of the previous

year's earnings on its sales of

certain shareholdings (in Kar-stadt, the store concern, and

DBV insurance) in 1994. Also,

the bank spent heavily on its

anniversary activities. It will put DM400m, against DM600m

last year, into its revenue

The results bear out the

trend at the nine-months stage.

when operating profits also

income was lower. The 1995 fig-

ures benefitted from the

year. Total electricity sales for 1995 increased 3.3 per cent.

The international electricity and gas arm continued its expansion through the acquisition of CRSS, the US power producer, power stations in Hungary and Chile, and developments in Italy, India and Kazakhstan. It also won a project to con-

struct a gas pipeline network to supply industries on the outskirts of the Thai capital Bangkok.

Distrigas, the Belgian gas business, hopes to benefit from

bond portfolio write-downs

other provisions were also

made in 1994 to soften the tax

impact of the asset sales - and from much higher financial

yesterday about risk provi-sions, having cut these sharply

in the January-September

period after the hond market

improvement. Nor did it com-

ment on the possible impact of

its involvement with Fokker.

The bank arranged bond issues

for the bankrupt Dutch aircraft

company - Daimler-Benz, which has a large minority

holding, ceased support in Jan-

The bank gave no details

trading profits.

Consolidated turnover of 1995 had continued into this its 5 per cent stake in Interconnector, which is preparing to build a link between the UK and continental gas grids. Distrigas is preparing to upgrade its own network to carry more gas to other countries.

Coditel, the cable operator, suffered a setback when its Voditel consortium with Voda-fone failed to win the second GSM licence offered by the Belgian government, but Tracte-bel said Coditel was still expanding its stakes in cable TV and mobile phone services

Fabricom, the engineering

group, acquired several industrial pipework companies in France and the UK, as well as extending electrical installation activities in France, and expanded into waste management in Belgium.

But the real estate business, Compagnie Immobilière de Belgique, reduced its development activities in a depressed property market

The company is proposing a net dividend of BFr370 a share. up 4.2 per cent from BFr355 the previous year, with earnings per share up 5.7 per cent from BFr778 to BFr823.



uary - and investors have been concerned about how much it

Commerzbank has recently branches as authorities have ers' funds to Luxembourg to been embarrassed by highlypublicised tax raids on its head office in Frankfurt and other

sought possible evidence of evade taxes. The bank denies help in the transfer of custom-

Martin Kohlhaussen: will give more details of results today

### Daewoo lets Steyr-Daimler-Puch plan lapse

has on its books.

By John Griffiths

A letter of intent signed by Korean carmaker Daewoo to buy a majority stake in Steyr-Daimler-Puch, the Austrian vehicle engineering group, has expired without the deal being completed.

Under a letter of intent signed last October, Daewoo was to have acquired 65 per cent of Steyr-Daimler-Puch's shares from Creditanstalt.

the Austrian bank.

A joint statement said Steyr-Daimler-Puch had not been able, in the short-term, to offer the capacities Daewoo wanted. particularly in research and development. It also cited "industrial reasons" for Daewoo withdrawing but said collaboration on some existing engine projects would continue.

Daewoo's decision to let the intended acquisition lapse is in

line with an alternative plan it has adopted to buy Gronp Lotus, the UK sports car and

engineering concern. The Korean company is understood to have signed a letter of intent to buy Lotus in mid-February, although so far it has neither confirmed nor denied doing so. Lotus has also denied any

knowledge of an agreement with Daewoo, although it has acknowledged that talks have been going on with "potential

The precise ownership of Lotus remains a subject of confusion. Italian entrepreneur Mr Romano Artioli, who set up "super-car" maker Bugatti Automobili, also bought Lotus from General Motors two years

Bugatti Antomobili was declared insolvent last year. Since the bankruptcy declara-tion, Mr Artioli's lawyers Bugatti and a Luxembourgbased holding company which was also believed to control

ish automotive group jointly owned by Sweden's Investor and US General Motors. planned to develop a new small car which would be presented at the beginning of the next century, said Mr Keith Butler-Wheelhouse, the company's chief executive. Reuter reports from Jonköping, Sweden.

The car would be smaller than the company's 900 series be told reporters at the Fourth Nordic Automotive Confer-

Saab planned to increase production to around 150,000 cars annually by the year 2000, he

"At that level [150,000 to 200,000] Saab can make a posi-tive contribution to GM's results." Mr Bntler-Wheelhouse

Last year, Saab manufactured 98,700 cars and this year's target is 105,000 units.

L10.5hn the previous year, pro-posed a dividend of L230 for each ordinary share, compared with L180 in 1994. Convertible savings shares will pay a diviappear to have sought to dend of L250, against L200, and non-convertible savings

Marzotto said that net finan-cial debt had also increased Saab Automobile, the Swedduring 1995, from L477.4hn in L549.4hn, because of a sharp increase in investment expenditure, including the purchase of more preferred shares in Hugo Boss. The acquisition of Hugo Boss sbares took Marzotto's stake in the combined pre-

the German group to more than 50 per cent. Marzotto bought a 77.5 per cent stake in Hugo Boss in 1991, and now owns 22.4 per cent of the preferred shares. Hngo Boss, which has been expanding sales and production outside Germany, increased net profit

Marzotto's shares are quoted in Milan and about 58 per cent of its capital is owned by descendants of the Marzotto family, which founded the company more than 150 years ago in Valdagno, north-east

Il per cent to DM58m.

#### **NEWS DIGEST**

Rise in sales

outside

Italy lifts

Marzotto

By Andrew Hill in Milan

Strong growth in sales outside Italy helped Marzotto, the Ital-ian textile and clothing group, to increase net consolidated

profit in 1995 from L26.2bn to

L50.1bn (\$32m), slightly ahead

Marzetto, which controls Hngo Boss, the German men's

fashion company, has now restored profit to the levels of 1989-90, before a slump in the

Italian clothing market cut

away at its domestic income.

The Italian clothing operations returned to profit

in 1995, after two years of losses, hut Marzotto said the Italian market was still stag-

nant. Sales in Italy slipped 0.5 per cent, also hit by a "severe drop in demand" for Marzot-

to's linen yarns, while sales

abroad grew 19 per cent. In the 12 months to Decem-

ber 31 1995, overall turnover grew nearly 12 per cent, from L2,111bn to L2,357bn, less

than a third of which is gener-

Analysts said yesterday that with the Italian currency

growing stronger, Marzotto could be hard-pressed to

repeat last year's sales growth

outside Italy. However, the

company said that even if

demand remained weak

abroad, the group would aim

to increase sales by improving

its service to customers, and

the quality of its products,

playing on the reputation of

Italian-made clothes and

The parent company, which

registered a net profit of L28.7bn in 1995, against

shares L290, against L240.

ated in Italy.

of market expectations.

### BASF 'aims to hit DM4.23bn' in 1996

BASF, the German chemicals group, said it planned to achieve a 1996 pre-tax profit of DM4.23bn (\$2.87bn), up from DM4.13bn in 1995, according to a report to be published in the April edition of Capital magazine. A 4.6 per cent rise in sales to DM48.47bn has been targeted, up from DM46.23bn a year earlier, the magazine said. Internal operating profits should remain stable at about DM3.5bn, the report said.

BASF said its chemicals division should report an internal operating profit of DML425bn, down from DML95bn a year earlier, while the plastics and fibres division is expected to post a 1996 internal operating profit of DM1.14bn, down from DM1 245hn, the magazine reported. The health and nutrition division should have an internal operating profit of DM614m, up from DM273m in 1995, and the dyestuffs and finishing products division should achieve profits of DM544m, up from

The oil and gas division is expected to have an operating profit of DM312m, up from DM86m, while BASF's information systems division is seen posting a profit of DM64m, after a loss of DM92m last year. According to plan, BASF a other business should return a 1996 loss of DM599m, compared with a loss of DM205m a year earlier. BASF plans to invest about DM3.2bn in fixed assets this year and DM2.18bn in research and

#### Rheinmetall back in the black

Rhemmetall, the privately-owned German arms and engineering group, yesterday reported an operating profit for 1995, following two years of losses, and said it would move more production abroad in order to improve its

The group, which is part of the Röchling Industrie holding company, said sales last year had increased 5.7 per cent to DM3.4hn (\$2.3hn), driven mainly by better results at the Pierburg automotive components and the Rheinmetall arms divisions. The Jagenberg engineering unit, however, reported a net loss because of difficulties at its paper technology arm, which makes up about 60 per cent of Jagenberg sales. Prices remained lower than expected last year had seen an

remained lower than expected last year had seen an "unexpectedly high rise in wage costs," the group said.

In an effort to avoid the higher production costs in Germany caused by the steadily appreciating D Mark and high wage settlements, the group said that by 1998 it hoped to double its production correction aboved to above 15 mercent and the stead to above 15 mercent and 15 me production capacities abroad to about 25 per cent of total production. Group new orders in 1996 rose 4 per cent over those a year earlier while new orders in January and February those a year earner while the variety of a year ago.

Michael Lindemann, Bonn.

#### Renault suffers decline in Spain The Renault group's listed Spanish carmaking subsidiary saw

pre-tax profits drop 64 per cent last yeer from Pta4.65bn to Pta1.65bn (\$13.6m), blaming the fall on a manufacturers' price war. Mr Jean-Pierre Laurent, beautof Renault's commercial operations in Spain, attacked rival French group PSA Peugeot Citroen for a recent campaign offering discounts of up to Pia400,000 on Citroen cars, and said the price war had reached "the limits of the tolerable". He described competition in the Spanish market, where overall car sales fell 8 per cent last

year, as "the toughest in Europe".

Car production at Fasa Renault, which is the French group's largest foreign manufacturing subsidiary, held roughly stable at 361,000 units, with more than 70 per cent going to export.

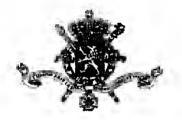
Turnover rose 8 per cent to Pia671bn, thanks to an increase of almost 15 per cent in export revenues. Its sales in the domestic market fell 3 per cent to Pta233hn. The company, about 90 per cent owned by the French state controlled group, planned to invest Pia100bn over the next three years, chairman Mr Juan

#### ABB acquires Maritime Seanor

ABB, the Swiss-Swedish engineering group, is expanding its oil and gas business with the acquisition of Maritime Seanor, a Norwegian company specialising in floating and underwater production systems. ABB is also buying control of Maritime's stakes in two other oll and gas equipment companies – JP Kenny of Stavanger and Koomey, with offices in Houston, Aberdeen and Singapore. The three companies together employ more than 150 and have annual sales of about \$50m.

ABB, which claims a 30 per cent world market share in subsea equipment for oil and gas fields, said yesterday the market was growing rapidly due to technological advances. It was possible now to exploit previously uneconomic fields. About \$2bn of ABB's \$36bn turnover last year came from the oil, gas and petrochemical industries.

This announcement appears as a matter of record only.



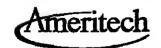
### The Belgian State

has sold a 50% minus one share holding in



#### ADSB Telecommunications B.V.

a consortium composed of Ameritech International, Inc., Tele Danmark A/S and Singapore Telecommunications Limited.







The undersigned acted as financial advisors to the Belgian State in this transaction.

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Union Bank of Switzerland



ision is expected to MI.14bn, down from health and nutrition ing profit of DM614m iffs and finishing

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AFX News. Frankfix

patients. Such problems would daunt the most experienced management. But the man in charge at Ares-Serono, Mr Ernesto Bertarelli, the deputy chief executive, is just 30.

just \$29.4m fnr 1995. In addi-

tion, the group, with market capitalisation of just \$2hn.

remains a small participant

in a rapidly consolidating

The Geneva-based company's problems include a shortage of

raw materials for its infertility

treatment; the need to invest

heavily in hiotechnology; and a

sales collapse in Italy - one of

its most important markets -

following healthcare reforms

Earlier this month the group

suffered another disappoint-

ment when a US Fnod and

Drug Administration advisory

ment of weight loss in Aids

there.

Although he first attracted

res-Seronn, the strug-A gling Swiss pharma-ceuticals group, stands returned from Harvard two years ago to assume control of the family-run Swiss pharmaat a crossroads, in 1992, net ceuticals group, Mr Bertarelli profits were \$107m; last week, is best-known in Geneva as a the group revealed profits of

The struggling Swiss drugs group is pinning its hopes for a turnround on biotechnology investment, writes Thierry Meyer

playboy. Much of his fame has stemmed from yachting: in June 1994, he capsized on the finish line of Le Bol d'Or, Lake Geneva's most famous race. He then built himself a SFr1m (\$837.871) all-carbon trimaran to win the next season.

"The key for Ares-Serono's future lies in the hands of Mr Bertarelli," says Mr Ian Broadhurst, analyst at BNP in London. "The question is whether he is capable of succeeding his father. Until he is really alone in charge, we won't have an

His father, Fahio, is renowned as an exceptional husinessman, hnt has retired from his executive position.

committee refused to recommend one of its drugs, Serostim, for the treat-Serono was created in northern Italy in 1906, as a small pharmaceutical laboratory. It was Mr Fahio Bertarelli who, as the new owner, moved the renamed Ares-Serono to safer" Switzerland in 1975. He subsequently transformed the small pharmaceuticals laboratory into a multinational drug manufacturing group.

Ares-Serono - which specialises in infertility treatments and immunology - intends to become a manufacturer based on hiotechnology, it still relies on non-biotech drugs, but Mr Bertarelli said last week he expected 90 per cent of group sales to come from recumbinant products by the end of the

This has required heavy investment, which the com-pany budgeted at \$400m until completion in 1998. Among the investments is a new SFr275m plant in Switzerland.

he strategy appears sound, but doubts remain about implementation. In 1994, the results were hit by a collapse of the Italiau market: after healthcare reforms, the group's best-selfing medicine, Metrodin-HP, an infertility treatment, was no longer reimbursed by the state. Ares-Serono claimed it lost

\$110m in sales. Last year's troubles were linked to the company's difficulty in finding the 50m litres of urine it needs every year from menopausal women to extract an infertility treatment hormone. Hence the importance of introducing Gonal-F, says Mr Michael Sjoestroem,

Ares-Serono's first hiotech

Laboratory success the key to curing Ares-Serono's financial ills

drug.
This infertility treatment, produced in mammalian cell cultures, is a genetically engithat stimulates the develop ment of ovarian follicles in women. It will replace Metrodin-HP, and cost less to produce.

Ares-Serooo is a world leader iu infertility treatmeut, but the group's other therapeutic areas are highly competitive. In multiple sclerosis treatment, it has launched a vast, costly clinical testing programme involving more than 1,000

patients. Competitors in this market. however, have struck earlier: Schering of Germany has launched a product, and Biogen, the US biotech group, has just received a recommendation for its drug from a US Food and Drug Administratioo advisory committee.

"It's good news for us. tbough," says Mr Christophe Lamps. Ares-Serono's corporate communications director. "Biogen's product is very close to ours, and they will pay us "Timing will be critical,"

ing muscle - if they are to be successful, he says. Some believe the group could prove a hig turnround story, Optimists believe the multiple

approved. But the other new

Serostim and Gonal-F, could drugs sector analyst at Pictet & Cie. the Geneva private reach estimated peak sales of bank, Gonal-F has been \$500m eaco a year.

Ernesto Bertarelli: analysts say group's Inture lies in his hands

"Ares-Serono sales will exceed 51hn in 1997," according products must be launched soon - before drugs from bigto Mr Jean-Philippe Tripet. analyst at private Geneva bank Lombard. Odier & Cie's Zurich office, "I see no other such success in the biotech industry apart from Amgen, the Californian company, whose sclerosis treatment, as well as capitalisation has risen

from \$50m in 1992 to \$17bu today.

COMPANY PROFILE:

But even with a good range of new products to come. Ares-Serono will have to ask itself what to do with the cash," Mr. Sjoestroem says. He suggests that an even broader range of drugs will be needed to assure the company's long-term luture.

Even then, problems would remain. "The low quantity of

Ares-Serono Zurich Current share price

> shares held by the public - less than 20 per cent - remains Ares-Serono's most serious handicap," says Mr Sjoestroem.
> "A whole category of investors is unwilling to huy when

> > Analysts believe the liquidity issue must be addressed by the Bertarelli family, which will eventually reduce its share-

### to hit in 1996

MARCH 26 1996

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### Swissair follows long haul with vertical take-off

The recent jump in the carrier's share price was recognition of tough cost cuts

wissair, the national carrier, has become the high-flying success story of the Zurich stock market as a long-running restructuring programme at the core and associated businesses has

borne fruit. The liquid registered shares jumped 19 per cent last week alone, taking their rise since the start of the year to 58 per cent. The recent surge has taken the shares above their previous high of mid-1939, after

which the price toppled. Swissair has travelled a long way since the dark days of the early 1990s. In 1993, the shares reached a low of SFr400 by as the airline suffered from the sector's overcapacity and a high domestic cost base, exacerbated by the strength of the Swiss franc. Swissair also had to deal with the recession in Europe, by far its largest revenue base, and the liberalisation of air traffic in the European Union, Moreover, Switzerland's vote against EU membership in December 1992 left the airline looking isolated, compounding

The inurney back was a slow and painful affair. The foundations of the company's turnround were laid in 1991, with a restructuring of the catering and hotels activities. Savings were, however, insufficient to outweigh rising costs in the

core airline activities. Signs of a pick-up in the air-line operations emerged last year, as the company cut its charter activities, shifted capacity to Crossair - the lowcost regional carrier in which Swissair has a 62 per cent stake - and launched a costcutting programme, including 800 redundancies, aimed at boosting profits hy SFr500m (\$416m) a year.

The purchase last May of a 49.5 per cent stake in Sabena, tha Belgian carrier, was another important step, allowing the Swiss airline savings through aconomies of scale and fleet rationalisation. It also provided an international "huh" – Brussels – for the airline in the EU. Late last year came a change

Share price & index (rebased)

More important, he is regarded as an excellent com-

ast week's share price rise came as Mr Bruggisser told analysts a further 1,200 redundancies were planned, confirming the view among shareholders that the company was determined to take tough measures to unlock shareholder value.

percentage points.

But while Mr Frederick Hasslauer, at Bank Sal Oppen-heim in Zurich, accepts the catering, hotel and airport retailing husiness have heen sharply undervalued, he believes future cost-cutting is already largely in the share price. "We think that the share will continue to appreciate but

Michael Morgan

of top management at Swissain with the appointment of Mi Phillipe Bruggisser as chief operating officer. Mr Bruggis-ser, a former banker, has been largely credited with the turnround of the hotels and cater

municator and his appointment came as talks with the well-paid pilots on SFr61m of planned savings were becom-ing bogged down. His arrival raised hopes that Swissair would achieve cost savings without the industrial conflict suffered by other airlines. -

Mr Guy Kekwick, at Lehman

Brothers, sees Mr Bruggisser as someone who can inject life into the still-flagging core busi-ness. He estimates the share is trading at 90 per cent of hook value, up from about 50 per cent at the airline's darkest hour, but compared with, for example, KLM at 120 per cent. Mr Kekwick believes the share price could rise another 10-15

the recent tempo of the rise cannot be repeated."

#### Mediobanca International Limited (incorporated with limited liability in the Cayman Islands) A mamber of the Mediobanca Banking Group

Notice to holders of Mediobanca International

4 per cent. Notes due 1999 convertible into ordinary shares of Alleanza Assicurazioni S.p.A. (the «Notes») Notice is hereby given that a Board Meeting of Alleanza Assicu-razions S.p.A. will be held on 28th March 1996 inter alia for the purpose of calling the Annual General Meeting of the Company to

be held to adopt the Company's Accounts for the year ended

31st December 1995 and proposals relating thereto. Accordingly, pursuant to Condition 5 (A) of the Notes, Subscription Rights to the Company's shares will not be exercisable between 28th March 1998 and the last possible date fixed for the Annual General Meeting, or where applicable, the day following the payment of any dividends, the distribution of which may be resolved by the Annual General Meeting.

A Brief Illustration OF OUR STRENGTH IN RISK MANAGEMENT (Or, Why Choosing The Right Bank Can Make A World Of Difference) Fact is, very few banks can equal our global strength and resources in risk management. As a major player in the world's capital markets, we are able to provide a broad range of derivative products tailored to your financial needs. In short, providing unparalleled risk management solutions is a feat we are superbly qualified to perform. Bank of America

		Kaenita			
current results are on t	the increase	in spite of the	climate still	being	du!

identical table (in milhons of francs)	1995*	1994	1993
Consolidated turnover	2.780	2345	2,366
Miscellaneous provisions	37	47	106
Cash flow	319	310	291
Amortisation of assets	69	64	50
Corrent results	250	246	241
Miscellaneous capital galas	42	75	135
Global taxes	16	9	7
Consolidated net profit	258	305	360

827 millions of leases In 1995, Sophia committed 827 million francs, of which 745 million francs were in the leasing sector and 82 million francs in financial and patrimonial Investments, including the buyout of 70% of Sofereie Coderbail and the option to buy a 12,000 m business area. 1994 production represented 1,000 million francs, of which 784 million francs were in the leasing sector and 230 million francs in financial and patrimonial investments.

situation is stable in the warehouse and husiness area sectors. Revenue from

rental assets is down 4.3% due to the vacancy rate which was slightly highter

than 10% throughout the year, the extension of the re-marketing period and

243 millions of trans. The property market is still depressed particularly in the office sector, whilst the

the downward renegotiation of the rental values of certain expired leases. 14 billions of francs The Prist Office and Telecom sector has entered a period of considerable amordisations (850 million frames in 1995), it now represents only 2 thousand million francs in net liabilities, whilst the Sofergie sector, strengthened by the acquisition of Soferbail and Coderbail, recorded 1.9 thousand million francs in net liabilities at the end of 1995. Furthermore, net property leasing commitments amounted to 7.9 thousand million francs and the same figures for rental assets stood at 2.2 thousand million francs.

250 millions of france. The eash flow and current results pursued their growth recorded in 1994. The consolidated net profit amounted to 258 million francs, down slightly compared with 1994 due to a lower volume of capital gains made and the

Global dividend. The global dividend suggested at the Shareholders' Meeting was 17,75 frames par share including 0.50 francs in tax credits.

66 in an environment relates to sail difficult and highly competitive. Sophia has decided to relect its new ments strictly so as not to seeaken the medium and long term development prospects for its results, in 1996, within the framework of the new leaving system, which is clearly more flexible and well adapted to customers nete expectations, SOPHIA, a financial institutum which is independent of all banking networks, has the ussee and the size to enhance its financial, property and technical skills us invita its customers in the ficiels of commercial



63, avenue des Champs Elysées 75008 Pans-Tel.: (33) 1 44 35 47 18

#### Philips Electronics N.V.

Eindhoven, The Netherlands

At the ordinary General Meeting of Shareholders held on 25 March 1996 a dividend for the financial year ended 31 December 1995, was declared at NLG 1.60 per Ordinary Share of NLG 10.- nominal value (ex-dividend date;

The dividend will (on share certificates in 'CF'-form and on shares in the form of an entry in the company's share register in the Netherlands) be payable In cash as of 11 April 1996. Such dividend payment is subject to deduction of 25% Netherlands Withholding Tax.

CF-Shares: The dividend payment in the UK will be made through the Company's paying agent, Hill Samuel Bank Ltd., 7th Floor, 10 Fleel Street, London, EC4M 7RH, to the CF depositaries in the UK in accordance with their respective positions in the books of the CF Amsterdam on 25 March 1996 at the close of business.

UK holders of CF-shares are reminded that the 25% Netherlands Withholding Tax may be reduced to 15%, if payment is made to residents of the United Kingdom (Great Britain and Northern Ireland with exception of the Channel Islands and the Isle of Man) or to residents of Aruba, Austria, Australia, Belglum, Brazil, Canada, Denmark, Finland, France, Germany, India, Indonesia, Republic of Ireland, Italy, Japan, Luxembourg, Netherlands, Netherlands Antilles, New Zealand, Norway, South Africa, Spain, Sweden and the United States of America, who deliver the appropriate Tax Declarations to Hill Samuel Bank Ltd.

The Netherlands Withholding Tax may be reduced to 20% if payment is made to residents of Surinam who deliver the appropriate Tax Declaration

The Netherlands Withholding Tax may be reduced to 0% if payment is made to exempt US pension trusts who deliver the appropriate Tax Declaration also to Hill Samuel Bank Ltd.

Eindhoven, 26 March, 1996

The Board of Management



**PHILIPS** 

The Financial Times plans to publish a series of surveys on 'New Financial Markets', the second of these being

### Eastern & Central European Finance & Investment

on Monday, April 15.

The reports are as follows

April 15

Eastern & Central Europe Finance & Investment

September 27 World Economy

April 29 **African Banking** 

and investment

Asian Financiai Markets

October 29

Middle East Finance and

They will be timed to coincide with development bank and regional economic meetings in those areas. These high level meetings attract potential investors to the region. International investment

The Eastern & Central European Finance & Investment survey aims to look at the rapid growth of this market in recent years. It will contain a number of sections including individual economies, debt. infrastructure development, project finance and the role played by international financial Institutions

> For further information on advertising please contact Patricia Surridge: Tel: +44 171 873 3426 Fax: +44 171 873 3204 Hannah Pursail: Tel: +44 171 873 4167 Fax: +44 171 873 4296

FT Surveys

#### COMPANIES AND FINANCE: ASIA-PACIFIC

### Matsushita to buy stake in satellite broadcaster

By Michiyo Nakamoto in Tokyo

Matsushita, Japan's largest consumer electronics group, plans to move into broadcasting by taking a 10 per cent stake in DirecTV Japan, the digital satellite broadcasting

company.

This is the first time a Japanese consumer electronics company has taken a large stake in a broadcasting com-pany. The move also highlights the transition to digital tech-nology that is taking place in the consumer electronics

DTVJ plans to introduce digital satellite broadcasts in Japan next summer. The company is 42.5 per cent owned by Hughes Communications, a unit of Hughes Electronics of the US, and 42.5 per cent by Culture Convenience Club, a Japanese video rental company. The remainder is owned by other Japanese companies.

DTVJ bopes to benefit from more astute strategy in the Matsushita's technology and its vast retail network in technology in the consumer

Matsushita yesterday emphasised that its investment was primarily a way of entering the Matsushita has made several investments in cable TV com-

panies but these have been much smaller than the DTVJ deal, although the value of its investment in DTVJ - which plans to make a substantial capital increase by the end of the year - is unclear. Matsushita last year sold its majority stake in MCA, the US

entertainment group, which it had acquired in 1990 amid mucb controversy. The sale was an embarrassing admission that its strategy of seeking to expand hardware sales through control of a software company had failed.

However, its latest plan to seek a foothold in the broad-casting industry is seen as a

technology in the consumer electronics industry.

"The launch of digital video discs will bring digital technology into the home in a major way for the first time." said Mr. Hideki Watanabe, industry analyst at Nikko Research Centre in Tokyo. The CD-sized discs, which can play back high quality digital video, will be introduced later this year in

Broadcasting is also moving towards digital technology with the launch of the first dig-ital satellite broadcast services in Japan by PerfecTV later this

The move could encourage other consumer electronics companies to follow suit. Sony, which has also made small investments in broadcasters, said it would be interested in taking up such opportunities in the industry as digitalisa-

### TV venture hampers Wharf

By Louise Lucas in Hong Kong

The Wharf (Holdings), the Hong Kong property and infrastructure conglomerate, yester-day reported a 22.9 per cent drop in operating profits from HK\$2.59bn in 1994 to

HK\$1.99bn (\$257m) last year. The group was hit hy deferred property sales because of the weak market and by the continued drain on earnings at its cable TV operations.

The total start-up operating deficit on the colony's pioneering cable TV system last year was HK\$824.8m, including an additional provision of some HK\$180m for equipment upgrades. The government last week extended Wharf Cable's exclusive licence by two years, in a hid to protect its financial vlability,

As Wharf announced its results, judgment was delivered on the group's court challenge to the government over its decision to allow Hongkong Telecom to proceed with videoon-demand (VOD) commercial trials during Wharf's exclusive

VOD reclassified as a broadcasting service, and to be regu-Court delivered another blow to the company hy deciding VOD was not a broadcasting

Wharf's net earnings, up 16.3 per cent from HK\$3.1bn to HK\$3.6hn last year, were boosted by a HK\$1.89bn exceptional item relating to the sale of Singapore-listed Marco Polo Developments, a property and hotel group. The results were lower than market expectations, mainly because of the cable TV losses. Mr Kendal Law, analyst with

Barclays de Zoete Wedd in Hong Kong, said: "Now they have written off some of the costs, the key is subscriber numbers. Wharf says it has 200,000 customers but the issue is the churn rate, which has been as high as 40 per cent. Now Wharf says that figure is down to 2 per cent a month, which is still quite high.

Market calculations pnt the number of snhscribers at 170,000. Wharf's problems with cable concerned technology, Whari was hoping to have programme quality and mar-

expected to break even until 1998. Mr Law notes this is partly due to Wharf's policy of heing both the deliverer and producer of programmes.

Wharf has invested some HK\$4.5bn in cable TV and its telecoms company, New T&T. which shares the same fibre New T&T, which won one of

the three new fixed-line licences last July, began marketing its services this year and so far has signed up only a small number of commercial customers, many of which involve thousands of lines. Mr Gonzaga Ll, chairman and chief executive of Wharf,

said the results were "particularly gratifying" given the tough business environment in Hong Kong last year. But analysts reckon Wharf will have another flat ontcome this year in terms of property investment and will only see a

significant pick-up in 1997-98

when new developments come on line. The dividend is lifted 10.96 per cent, from 73 cents to 81

#### **NEWS DIGEST**

### Westfield considers airport investments

Westfield, the Australian property developer which has specialised in the sbopping centre market, is teaming up with the US-based Airport Group International to look at investment opportunities resulting from the privatisation of Australia's airports. AGI, in turn, is owned by Lockheed and Soros Capital, Mr George Soros's group.

The impending privatisation has attracted several interested

parties. Lend Lease, the Sydney-based financial services group, linked with Brambles, the Australian transportation group, to form a potential bidding consortium. BAA of the UK has joined forces with two big local institutional investors, in another consortium, known as Australia Pacific Airports. Other European operators, including Schiphol and Aeroports de Paris, are also believed to be interested.

Details of how the privatisation will proceed following the change in Australia's federal government this month have yet to be clarified. Last week, Mr John Sharp, the new transport minister, indicated that Melbourne, Perth, Brisbane and Adelaide airports were likely to form the "first tranche" of sales, with Sydney possibly delayed for up to three years while noise problems are dealt with. The first tranche sales would take place "as soon as possible" - probably this year - and smaller airports would come later.

Nikki Tait, Sydna

#### Henderson IPO oversubscribed

Henderson Land, the latest Hong Kong developer to spin off its China interests in a separate listing, yesterday said the HK\$178.66m (US\$23m: initial public offering was 3.4 times subscribed, as a result of which the number of public shares is being lifted from 8.31m to 11.8m. Another offer of 2.15m

preferential shares was also oversubscribed, the company said. In total, Henderson China, the newly-created China property concern, issued 69.77m shares at HK\$21.50 each. Of these, and apart from the 2.15m preferential shares, 8.31m were to have been sold to the public, and the balance placed with professional investors. The additional tranche, to meet public demand, means the amount offered to institutions will be scaled back to \$5.81m shares. The proceeds of the issue are expected to eliminate debt at the new company. Louise Lucas, Hong Kong

#### Revamp at Thai oil group

Petroleum Authority of Thailand (PTT), Thailand's state-owned oil company, announced a corporate restructuring yesterday, including stock market listings for three newly created-subsidiaries. PTT has been split into four broad divisions; exploration, production and gas; refining; downstream oil; and petrochemicals. Each of these will be responsible for management supervision of subsidiary companies and PTT's extensive shareholding stakes in joint-ventures with the private sector.

PTT said one of principal reasons for seeking more public listings was to help the organisation become "self-financing" while making the huge investments needed to meet Thailand's energy needs. Energy demand is expected to increase at more than 8 per cent annually for the next-five years, according to

One of the new subsidiaries, PTT Gas, to be controlled by PTT's exploration, production and gas division, will apply for a stock market listing by the end of this year, PTT officials said. Another subsidiary of the same division, PTT E&P sold shares to the public in 1993. PTT's Downstream Oil will control the other two new subsidiaries, PTT Oil and PTT

International. Their public offerings are likely to come in 1997. PTT is likely to retain a majority stake in the three new Ted Bardacke, Banakok

### Dogfight offers preview of business battles

Rivalry in Hong Kong's aviation sector highlights problems ahead of 1997 handover

business battles can be glimpsed in the employment

pages of the local press. Dragonalr, the territory's small but thrusting carrier, has been searching for staff. So

has CNAC, the airline arm of China's Civil Aviation Authority, which is planning to Both are eyeing the markets for southern China, one of the

fastest-growing regions of the world. But the looming dogfight shows more than the attractions of the local aviation sector, It reveals bow Hong Kong's handover to China next year is complicating business strategies, posing a tough challenge for incumbents and testing the tactics of newcomers. Dragonair itself is a mix of the two. Founded in 1985 by a group of investors and Mr Steven Cbao, the textiles magnate, it struggled to expand until 1990, when a majority stake was seized jointly hy Citic Pacific, the Hong Kong arm of China's main investment vehicle, and Cathay Pacific, a subsidiary of Swires,

the UK-controlled conglomer-Since then, the carrier has established itself as the preferred choice of businessmen flying into China and as a profitable operation. Last year's than HK\$700m (US\$90.5m), a bealthy return on the 14 rontes it flies to China along with regional destinations from Bangladesb to Japan.

Success, however, has fuelled the problems facing Dragonair. Drawn by the fastgrowing market, CNAC has

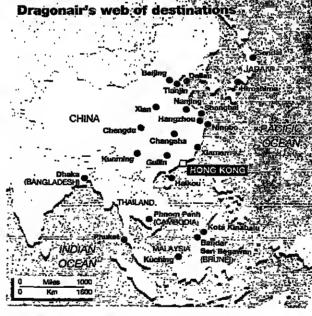
preview of one of Hong Kong's most important applied for an air operator's certificate in Hong Kong. If granted - and aviation sources believe approval could come within weeks - CNAC would be able to operate charter flights from Hong Kong and would move a step towards a licence for scheduled services.

The company's ambitions and its Beijing connections have already put the hrakes on Dragonair's ambitions. "Dragonair is finding it tough to get new capacity on existing routes and to add new routes, says Mr Koo Zayong, aviation analyst at CS First Boston in Hong Kong. Profit growth slowed markedly last year, reflecting the constraints being placed on the carrier.

The turbulence is becoming even greater around the shareholding structure of the company. Wary of a mainland rival setting up in Hong Kong, par-ticularly one tied to China's aviation authority, Cathay has sought to assuage CNAC's appetite by selling it a stake in Dragonair. "There have been discussions and there will be discussions. I have no doubt," says Mr Peter Sutch, chairman of Cathay and Swire Pacific.

espite the failure of previous talks, the strategy might prove successful. But industry analysts believe CNAC will only be satisfied with a significant stake in Dragonair and that it has already signalled a firm intention to establish its own operation.

"They are a fair way down the road," says one aviation consultant, pointing to the leasing of aircraft and the hiring of executives for what has been dubbed China Hong Kong



Airlines. "At the least they have put themselves in a

strong bargaining position. The strength of this position has been reflected in the relationship between Cathay and Citic. Earlier this month, Citic Pacific's chairman and managing director announced they were resigning from the indicated a desire to distance themselves from Cathay, while signalling their own ambitions for Dragonair.

These are important moves in a very complex game," says one aviation consultant. "They [Citic] want to be seen as the mainland aviation operator in Hong Kong, and are distancing themselves from Britisb inter-

According to this view.

Citic's plans cannot be achieved in the face of opposition from CNAC. Although Citic carries significant clout in Beijing - the father of Mr Larry Yung, Citic's chairman, is China's vice president -CNAC holds the trump cards on aviation issues. This posi-tion is reinforced by the fact that post-1997 air routes between China and Hong Kong

will ultimately be decided by

the central government in

"The fact that Dragonair has heen frustrated in terms of expansion may show the limits of Citic's influence in their rivalry with CNAC," says one industry executive. "There is CNAC, but pragmatism may

Cathay, which fears the prospect of competition with the subsidiary of the Chinese aviation authority and which has hoped to satisfy mainland ambitions through the presence of Citic as a significant t contests the legal basis

This is no small concern for

for a CNAC operation in Hong Kong, citing the requirement in Hong Kong's post-1997 constitution that the territory's operators must have their principal place of business in Hong Kong. For the "one country, two systems" principle which underpins the handover to China

Cathay's Chinese opponents, however, are set to play the competition card, criticising Hong Kong's "one route, one

Cathay's argument that the 60-odd international carriers flying in and out of Kai Tak airport provide adequate competition, may not cut much ice with bungry rivals from the north. Nor is there much it can do about the realpolitik relating to the sensitivity of a UKcontrolled group owning the territory's main carrier.

atlon of a Chinese antity to challenge Cathay," says Mr Koo at CS First Boaton. According to this view, the tor bout to decide who will face Catbay in the heavyweight decider. That contest will make the current jostling around also explains why it matters so

John Ridding

### Cumnock Coal likely to reject Glencore bid

contract

By Nikki Tait in Sydney

Glencore International, the international commodity trading group based in Switzerland and formerly known as Marc Rich, yesterday made a A\$60m (US\$47m) bid for Cummock Coal,

the Australian coal producer. Glencore has instructed its brokers, BT Securities, to stand in the market from April 9, and offer to acquire Cumnock shares at A\$2.50 each. The on-market tender will last for a month. Cumnock shares closed 5 cents higher, at

According to its brokers, the Swiss-

based group already holds a 22.9 per cent stake in Cumnock, plus a further 1.66m options, or more than one-fifth of

all options in issue.

Cumnock has yet to make a formal response to the offer. But Mr Tom Johnson, chairman, indicated yesterday the company was unlikely to be enthusiastic. "Wa'll be putting out our response fairly quickly and [are likely] to tell sharebolders not to sell," be was

reported as saving. Cumnock's operations are based in the Hunter Valley in New South Wales, near the Liddell and Bayswater power stations. However, the company now

produces coal for domestic use and export, and last month announced a deal with a Japanese customer for a five-year semi-soft coking coal supply

Cumnock's coal production in the half-year to end-December was 973,198 tonnes, slightly less than the forecast 1.05m tonnes, because of industrial disruptions and rain. It has forecast production to the year to end-Juna at between 2m and 2.2m tonnes.

Glencore has several interests in Australia. One of its most recent investments was in the redevelopment of

Tasmania, where production has been resuscitated by the Gold Mines of Australia group. Glencore signed up to take 10 years' output from Mount Lyell

 Ampolex, the Australian energy group, yesterday rejected an amended takeover document from Mobil, which has mounted a hostile bid for the company. The bid process could now be stalled for several more weeks.

Ampolex won an interim injunction preventing Mobil from sending out the original bid documents and the two sides are arguing in court over the adequacy of the revised version. The court Mount Lyell, the copper gold deposit in hearings will continue today.

OFTEN REQUE

#### COMPANIES AND FINANCE: THE AMERICAS

### Compaq offers network products ||

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Compaq Computer, the world's largest personal computer manufacturer, will today launch a range of products designed to break into the rapidly-growing market for computer networking equip-

Previously, Compaq has built network adapter cards for its own PCs hut has had no distinct presence in the \$13hn network equipment market.

The move follows Compaq's acquisition last year of Net-

Worth and Thomas Conrad,

two small US networking together local and wide area equipment companies. Compaq computer networks. subsequently formed a new internetworking division which is now launching its first products.

The market for computer networking equipment is grow-ing rapidly as businesses install and upgrade networks. Salomon Brothers predicts worldwide sales of \$32bn by 1999. The market is dominated by companies such as Cisco Systems, Bay Networks and 3Com, which manufacture ronters, bridges, hubs and network adapters - the "plumbing" equipment that holds

The market is attractive because networking equipment carries gross profit margins of about 50 per cent of revenues, according to Mr Doug Pushard, Compaq vice-president. PC gross profit margins have

shrunk to about 20 per cent. products include adapter cards which can be plugged into PCs switch that directs data traffic from desktop PCs to groups of

Mr Pushard said Compaq would undercut the prices of

between 5 and 20 per cent. "We believe we can be very, very competitive by pushing down the cost of ownership and improving the ease of use of these products," he said.

Compaq's current revenues from networking products are about \$150m a year. The company aims to triple that amount this year and to contime to grow faster than the market for several years.

Compag plans to introduce a router for use in wide area networks later this year as a result of a joint development agreement with Cisco Systems



Lucio Noto, Mobil chairman (right), joins BP's John Brown in

### Mobil plans more asset disposals

Mobil plans additional assets sales this year to complete a restructuring designed to cut operating costs and hoost earnings, Renter reports from New Orleans.

The US oil company's real estate operations and some US non-core producing fields are on the blocks, the final steps in a restructuring expected to cut costs by about \$1.3bn, Mr Lucio Noto, chairman, said at an

energy conference.
"I wish I could tell you the restructuring is over in my opinion it is not," he said. "I think we would be waving the flag of victory too early if I

said it was over." The company sold about S2bn of assets in 1995. In 1996, Mr Noto said Mobil would sell the remainder of its plastics business and non-core petroleum properties in the US. Mobil's cost-saving goals did not include an additional

\$400m to \$500m a year it expected from its planned European marketing and refining alllance with British Petroleum. Mobil expects its restructuring to help hoost earnings to \$3.2bn by 1998 and allow the

company to meel a target of

more than 12 per ceot growth in return on common equity during the period, Mr Noto

Mohil posted \$2.5bn in operating earnings in 1995, a 12.8 per cent return on common equity. The company expected the earnings growth to push its stock price to \$125 hy 1998, Mr Note said. In early trading in New York yesterday the stock was changing bands at \$114's.

don'n 81... Since 1992, Mobil has pared staffing costs by \$750m and US refining cosis by \$300m. The company's restructuring is likely to include more downsizing, to 1995, restructuring and asset sales reduced the number of employees by 14 per

cent, to 50,400. Mr Noto said restructuring yielded net savings of \$300m in 1995. Operating earnings were \$2.8hm

Mobil has not relied on rising crude oil orices for its projected growth in earnings, and Mr Noto declined to predict prices. "We have stopped predicting crude prices." he said.
"We use \$17. It's consistent with prices to the time of Adam and Eve."

#### **NEWS DIGEST**

#### Medtronic in deal to acquire InStent

Meditronic, a Minnesota pacemaker manufacturer, is to buy InStent, an Israeli maker of specialised medical equipment, in a deal valued at about \$200m. Meditronic will exchange 0.3883 of a share for each of the 10m InStent shares plus options

InStent's stock gained 12.5 cents to \$22 in early trading ou Nasdaq, while Medtronic was unchanged at \$57 and the New York Stock Exchange. The deal is valued at about \$100m. InStent, based in Minneapolis and Tel Aviv. monufactures stents, which are used to hold open such passages as the oesophagus or arteries. The company reported about \$2.4m in revenue for 1995, an increase of some 211 per cent over the

The principal shareholders of InStent, with about 35 per cent of the outstanding shares, have agreed to vote in favour of the

#### Dealer ordered to repay \$7.8m

The National Association of Securities Dealers, the regulatory body for the US securities industry, bas ordered Mr Franklin Wolf to repay \$7.8m to clients who were sold penny stocks in violation of Securities and Exchange Commission rules by his firm F. N. Wolf. Mr Wolf has been fined \$250,000 and barred from the industry for life. He is appealing to the SEC. Mr Wolf's firm filed for bankruptcy in 1994.

Ms Mary Schapiro, the newly appointed head of regulation nt the NASD, said the decision was "necessary to protect the investing public and serve as a deterrent". She is regarded in the industry as "an aggressive regulator" although this case began long before ber appointment.

The NASD found that F. N. Wolf sold shares in Nacoma Consolidated industries to clients in violation of the SEC's penny stock rule. This rule defines penny stocks in a variety of ways, one being a share price of under \$5. Under the rules. brokers must receive written confirmation from customers that the stock is a suitable investment for them.

Mnggie Urry, New York

#### Jamaican brewer in red

Desnoes and Geddes, the Jamaican hrener in which Guinness of the UK has a controlling interest, reported a US\$2.1m loss for the year ending December. Higher interest charges caused by depreciation of the Jamaican dollar and a strike late last year which temporarily closed the hrewery were the main reasons for the loss.

Wage increases agreed by the company were higher than the inflation rate, while the prices of the company's products were increased at a rate helon inflation, said Mr Terry Challenor, president. "For example, Red Stripe heer prices increased by only 15 per cent during the year, while inflatioo was around 25 per cent," he said. Red Stripe beer is the company's flagship Canute Jonies, Kingston

### British Gas faces tough challenge

The company is gambling on three large projects in South America

ritish Gas, which has targeted South America as one of two regions central to its global expansion plans, is gambling its Latin American future on three large, hnt bighly rlsky, projects: a \$900m gas pipeline between Argentina and Chile, a \$2hn pipeline from Bolivia to Brazil, and the search for oil in disputed waters around the Falkland Islands.

All three are fraught with complexity, admits Mr Stephen Brandon, executive director with special responsibility for the Americas.

The investments we are going to make in [Latin America's southern cone are going to he heavily determined hy our success or failure with [these] two or three big projects," he says.

As well as doubts over the projects themselves - all in their early stages - the UK company will also have to confront internal floancing coostraints as a result of its complex demerger.

"We have made commit-ments on dividend policy...which will require some fairly prudent corporate management of our cash flows," says Mr Brandon. "Our capacity to fund these projects is going to be affected by competition from other regions of the world, like south-east Asla...which will be competing for corporate funding." Further ahead, however, "demerger will differentiate

international [the pipeline has started laying pipes. business) as a loog-term investment-driven company [from] British Gas Energy, which is a sbort-term commercial trading business." he says. "The two were constraining each other." After the merger, he believes, investors' different view of TransCo will make it easier to raise more long-term project financing.

Mr Brandon hopes that much of those funds can be funnelled into South America, where energy markets are rapidly opening up. Liberal economic reforms, plus the Mercosur regional integration process, spearheaded by Argentina and Brazil, have attracted the attention of the global exploration and production community, be says. "One is seeing the development of a very serious reserve capacity matched to very serious market prospects.

t is with the intention of linking reserves with a potential market that British Gas, together with Tenneco Gas of the US, is planning an 800km pipeline from Argentina's Patagooian fields to Chilean customers in and around

Santlago. But others have had the same idea: Novacorp of Canada is heading a consortium with an alternative pipeline plan. That has left British Gas's Transgas project in a complex game of hluff with Novacorp. which has already signed Chilwhat we now call TransCo .ean gas sales contracts and

Mr Brandon vigorously denies Transgas has been left behind in a race where winner is likely to take all. Transgas will "within weeks" firm up a sales contract with a North American consortium willing to build a large power station in central Chile, he says, But, "whetber Chile's market can support two pipelines from an economic standpoint is dehat-

If doubts shroud the UK company's Chilean pipeline, its two other star projects are still more nebulous. The first is a plan, still some years off, to huild a \$2bu pipeline between Bolivian gas fields and Brazil. The viability of this pipeline will depend on the ability of the many companies involved to work together, as well as on liheralisation of Brazil's and Bolivia's energy markets. British Gas's participation in

the project is through the BTB consortium. formed with Tenneco and Australia's BHP. This has 25 per cent of the proposed pipeline oo the Brazilian side and 4.5 per cent in Bolivia. British Gas is considering raising its stake hy participat-Ing in the privatisation of

YPFB, Bolivia's state bydrocar-bons group (which has a 51 per cent stake in the Bolivian section of the pipeline and 12 per cent of the Brazilian section). It is also evaluating YPFB's upstream assets, which will also be sold off within months Oil exploration around the

disputed Falkland Islands

promises to be perhaps the highest-risk proposal of them all. It could also bring the biggest rewards. British Gas. which has teamed up with Argentina's privatised oil group YPF to evaluate seismic data, is expected to hid for one or more blocks by July.

The company, which believes political risk in the former war zone has been neutralised by last year's Anglo-Argentine co-operation accord, concedes that the technical challenges The deep waters around the

Falklands, distant from leading markets, may stretch drilling capacity to the limits. It is likely to take millions of dollars and several years to prove the existence of exploitable r Brandon says the task British Gas has

America is tough. "The chal-

lenge is to successfully develop

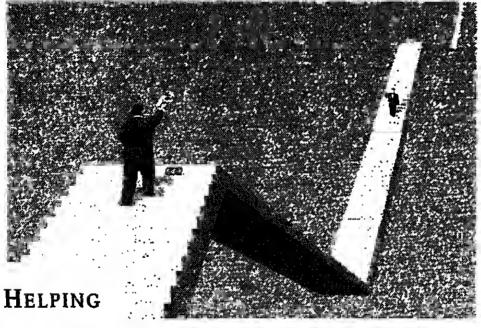
set itself in South

the kinds of projects which are difficult at the best of times in circumstances as a company of unusual uncertainty," be says. "That obliges us to be, oo the one hand, extremely aggressive in order to pull off these kind of projects, and on the other hand, extremely prudeot to do so within the restraints of our ohligations to shareholders." The ability of British Gas to

juggle these contradictions is ultimately likely to define its

South American fortunes.

**David Pilling** 



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OFTEN REQUIRES

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resourcefulness in helping our clients profit from changes in market developments, and a sound approach to halancing risk and opportunity. Most of all, it

illustrates the personal commitment of our staff to the highest standards of creativity and

Group Preliminary Figures		1995	1994
Total Assets	DM billion	72.6	64.7
Balance Sheet Total	DM billion	71.1	03.2
Claims on Customers	DM hillon	27.3	24,0
Liabilities	DM billion	42.I	35.3
Certificated Liabilities	DM Hillon	20.6	20.3
Equity Capital	DM Hillon	2.3	2.0
Operating Income	DM million	231	180
Pr <b>o</b> ūt '	DM million	114	89

These achievements will strengthen our resolve to provide our clieots with the most effective hanking and finance services available.

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#### LVMH

#### MOËT HENNESSY , LOUIS VUITTON

#### 10.3 % INCREASE IN NET INCOME

In 1995, consolidated net income of the LVMH Moët Hennessy Louis Vuitton Group totaled FRF 4,047 million, an increase of 10.3 % over the 1994 level.

Income from operations increased by 6 % to FRF 7,206 million.

Consolidated net sales of the LVMH Group amounted to FRF 29,775 million, an increase of 6.5 % over 1994

Key consolidated highlights

In FRF million	1994	1995
Net sales	27,967	29,775
Income from operations	6,804	7,206
Net income, Group shore, excluding unusual items	3,667	4,047

Sales of luxury products rose by 16 %, a much faster pace than the increase in sales of wines and spirits, - 5 %, illustrating the validity of the Strategy followed by the Group since January 1994, at the time of the reorganization of its relationship with Guinness PLC, the British danks group. Similarly, return on capital employed was significantly higher in luggage and perfumes than in wines and spirits.

These performances were achieved despite several unlavorable external factors.

-currency fluctuations had a negative impact on sales and income ton a constant currency basis, sales would have increased by 11.7 % and consolidated net income by 25 %

slower economic growth in several key markets and strikes in France toward the end of the year affected the development of the Group's activities;

Guinness PLC, of which LVMH is the largest shareholder with a 20 % interest, posted a 7 % drop in net income in 1995; higher corporate income tax rates in France decreased consolidated net income by nearly 2.8 %.

By segment of activity, the major highlights of 1995 were :

Consolidated highlights by segment of activity

In FRF million	Nei	Sales	Income from operatio		
	1994	1995	1994	1995	
Chompogne and wines	5,712	5,836	837	1,016	
Cognoc and spirils	5,987	5,277	1,969	1,667	
Luggage and leather goods	6,716	7,415	3,090	3,473	
Perfumes and beauty products	7,686	9,277	1,113	1,254	
Other, including holding company expenses	1,866	1,970	- 205	- 204	
LYMH TOTAL	27,967	29,775	6,804	7,206	

Champagne and wines: Dom Perignon, Moet & Chandon, Veuve Clicquot, Pommery, Ruinart, Mercier, Canard-Duchène The strong increase in income from operations reflects a 5 % growth in sales volume coupled with further reduction in costs, with overall market conditions continuing to improve.

Cognec and spirits: Hennessy, Hine, F.O.V

Income from operations in the cognac and spirits segment dropped by 15 %. This decline reflects the negative impact of exchange rate fluctuations as well as lower sales in Japan, which were not fully offset by the contribution of growing markets. Income from operations as a percentage of sales remained at a favorably high level. Sales in China continued to grow at a rapid pace.

Luggage and leather goods: Louis Vuitton, Loevve, Berluti

Strong sales growth and further productivity gains led to a 12 % increase in income from operations in the luggage and leather goods segment despite the unlavorable currency impact. Louis Vuilton Malletier pursued the expansion of its retail network, with the opening of nine new stores in 1995.

Perfumes and beauty products: Christian Dior, Guerlain, Givenchy, Kenzo

Income from operations rose by 13 % in the perfumes and beauty products segment, benefiting from successful new product launches - "Dolce Vita" and "Dior Svelte" at Christian Dior, "Un air de Samsara" at Guerlain, "xervus Rouge" at Givenchy, and the international launch of "Kashaya de Kenzo" - and from the Juli-year contribution of Guerlain.

The Group gained market share in all its segments of activity

The continued reduction in the Gioup's net debt, combined with lower interest rates, led to a 52 % drop in financial

In 1996, the pace of economic growth should remain rapid in the US and Asia but be moderate in Europe. The monetary environment continues to be uncertain, a delinite handicap for a group exporting 83 % of its production. However, the LVMH Group will continue to base its growth strategy on its proven strengths, aiming to enhance the value, innovativeness and international presence of its brands. Consequently, the Group should meet the goal it has set for itself of achieving another increase in net income and sales.

The Board of Directors will propose to the Annual Meeting of Shareholders of may 30, 1996 the distribution of a FRF 19.25 net dividend per share, payable June 14, 1996

LVMH, THE WORLD'S LEADING LUXURY PRODUCTS GROUP

#### LABORATOIRES BOIRON

#### 1995 RESULTS

The Board of Directors, meeting on 21 March 1996 under the chairmanship of Mr. Christian BOIRON, approved the accounts for 1995 and reviewed the consolidated accounts. It was decided to hold the Annual General Meeting at 10.00 a.m. on 29 May 1996 in the PULLMAN PERPACHE

#### CONSOLIDATED RESULTS

(WILLIA DESIGNATION CO)				
	1995	1994	% igcresss	
Turnover	1 180.4	1 145.4	3.1 %	
Operating profit	153.1	130.0	17.7 %	
Profit on ordinary activities	141.Q	114.0	23.6 %	
Net profil	52.7	58.9	6.3 %	
Cash flow	1196	1114	73%	

#### **ACHIEVEMENTS**

The contribution of the subsidiaries to the net profit continued to grow and amounted to FRF 14.2 million compared to FRF 9.8 million for 1994. This performance includes an exceptional lax saving of FRF 2.4 million related to investments in Italy

Sleps taken throughout the Group in previous years to improve cost control were continued in 1995 and were a major lactor in the increased prolif on ordinary activities.

Growth in nel profil was constrained by various social and tax measures adopted in France, particularly the 10 % corporate tax surcharge amounting to FRF 4.0 million and a provision of FRF 7.9 million, net of deterred tax, as an exceptional contribution from the pharmaceutical industry. Shareholders' equity amounts to FRF 417.2 million and net financial debt amounts to FRF 29.9 million, despite the high level of investment during the year (FRF 134.7 million).

The Board of Directors proposes to increase the dividend to FRF 9.0 per share, equivalent to FRF 13.5 per share inclusive of lax credit, this will be payable on 1 July 1996.

The new production unit at Messimy commenced operating at the end of 1995, around one hundred staff are now on site. The capital expenditure programme will continue in 1996 with the renovation of the Sainte-Foy-lès-Lyon site and the construction of a new office building.

The Group has benefited from both a healthy level of business since the start of the year, particularly in international operations, and the relative stability of the currency markets. For the full year 1996, the Group lorecasts further growth in turnover and net profil despite the additional costs relating to the new unit at Messimy.

Investor relations : André RASSAT / Gilles VENET - Tel. ; +33 72.32.41.63 or 72.32.40.79 20, rue de la Libération Fö9110 STE-FOY-les-LYON, FRANCE

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Floating Rale Notes Due 1997

In accordance with the provisions of the Floating Rate Notes, notice is hereby given as follows:

Interest Period : March 25, 1996 to

September 25, 1996 (184 days)

Rate of Interest . 5.5825% per annum

Coupon Amount , USS2,843.06 (per note of US\$100,000)

US\$7,107,64 (per note of US\$250,000)



LTCB Asia Limited

#### WOOLWICH

£200,000,000

Floating Rate Notes due 1999

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 21st June, 1996 has been fixed at 6.25% per annum. The interest accruing for such three month period will be £157,10 per £III,000 Bearer Note, and £1.571.04 per £III0,000 Bearer Note, on 21st June, 1996 against presentation of Coupon No. 9.



21st March, 1996

London Branch

actions and actions and actions and actions and actions and actions and actions are actions and actions and actions are actions and actions and actions are actions and actions action

#### **CONTRACTS & TENDERS**

#### INVITATION FOR BIDS FOR THE SUPPLY OF TWENTY NINE (29) MOTOR CARS

- 1. The Government of the Republic of Turkey has received Loan No. 3541-TU from the World Bank in various currencies towards the cost of the Employment and Training Project and it is intended that part of the proceeds of this loan will be applied to eligible payments under a contract for supply of Motor Vehicles.
- 2. The Turkish Employment Organisation now invites sealed bids from eligible bidders for the supply of twenty nine (29) MOTOR CARS and eight (8) MINIBUSES by International Competitive Bidding.
- Documents at the office of:

General Directorate of the Turkish Employment Organisation (Is ve Isci Bulma Kurumu Genel Müdüriügül,

Employment & Training Project, Project Co-ordination Unit,

Atatürk Bulvari No. 133, Kat 7,

06640 Bakanliklar, ANKARA, Turkey

Tel: 00-90-(312) 425 70 84 Fax: 00-90-(312) 418 17 32

- 4. A complete set of bidding documents may be purchased on the submission of a written when the bidding documents are collected.
- the provisions of the World Bank Standard bidding documents: Procurement of Goods.
- 6. Each bid must be delivered to the above office on or before 12.00 hours on Monday, 20 May 1996 and must be accompanied by a bid security of 2% of Bid Amount.

#### COMPANIES AND FINANCE: UK

Orders up 6% in first quarter and European growth seen for second half

### Morgan Crucible eyes acquisitions

By Peter Marsh

Morgan Crucible, the speciality materials and engineering group, is poised for further acquisitions in emerging mar-kets such as south-east Asia and eastern Europe, the company said yesterday.

The company is also planning to sell "non-core" busises - such as those related to defence - worth an estlmated £35m (\$54m).

Pre-tax profit in the year to January 4 was £85m, in line with expectations, up from

Mr Bruce Farmer, managing director, said orders in the first three months of 1996 were up roughly 6 per cent on the equivalent period last

He felt the economic outlook in continental Europe would improve this year, which could lift second-half

He said price increases, new tinuing emphasis on cost con-trol had contributed to a fur-

ther increase in operating mar-

Turnover advanced by 6.6 per cent to £847.8m, although the rise was 14.9 per cent excluding businesses sold in

Operating margins improved from 10.5 per cent to 12 per

pany concerned its production of speciality materials in the US for the defence industry where demand fell

Operating profits for the whole of the speciality materials arm fell to £16m (£17m) on like-for-like sales of £156.1m. against £144.9m.
The company said its carbon

division, which produces items mainly for use in electrical devices such as motors, had an 'excellent year'. Operating profit increased

26.9 per cent to £24.1m (£18.7m) on sales up from £149.4m to In technical ceramics, oper-

ating profit was £24.4m, (£18.9m). Sales were £218.3m



Bruce Farmer, right, and Graham Swetman, finance director: cost control helps margins

(£188.6m). The thermal ceramics division turned in operating profits of £37m, compared with £25.1m, on turnover higher at

£309.3m (£255.2m). Earnings per share were up 14 per cent to 25.2p (22.1p). A final dividend of 7.55p makes a

Prospective pre-tax profits for this year are estimated at £97m, giving a forward p/e of

### Simon Engineering returns to black

By Geoff Dyer

Bourne End Props Caldwell have

Forth Ports

ineris Perkins

Simon Engineering, the process plant, mobile platform and storage group, yesterday recorded its first profit since 1991 and announced its return to the dividend list. The return to the black with 1995 pre-tax profits of £8.4m (\$13m) compared with losses of £18m the previous year. Turnover was flat at £319.1m (£314.2m).

Mr Maurice Dixson, chief executive, said the group had now completed its restructuring programme which involved selling 14 businesses since

Yr to Dec 31

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Yr to Dec 31

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- 6 mithe to Jam 31 - Yr to Dec 31 4 - Yr to Dec 31

Yr to Dec 31 \*

December 1993 and reducing the workforce by a third. The improved results were

based on an increase in operating profits to £8.5m (£1.2m) at the US business of Simon Access, the gantry and mobile platform division. Losses from the non-US part were reduced to £6.2m (£10.9m), benefitting from sales of new products. particularly firefighting equip-

Mr Dixson disclosed that one of the group's US banks had refused to extend a \$15m (19.8m) banking facility which expires at the end of this

(8.171)

(6.53) (0.212) (35.7) (60.8) (35.8) (125.3) (6.102) (27.7) (9.32) (-) (7.73) (21.1)

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26.1 97.2 786.7

month. Net debts were £75.1m, giving gearing of 94.5 per cent (94.3 per cent). Simon Storage, the bulk stor-

age business, improved profits to £11.1m (£9.5m). Mr Dixson said that the group was looking to develop the Killingholme site on the Humber into a new deep water port at a cost Simon Carves, the process

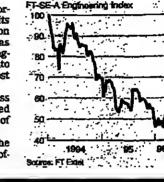
engineering arm, turned £500,000 of losses into profits of

Analysts forecast that the group would make pre-tax profits of about £16m this year.

(9.22.) (1.01.) (1.25.) (8.77.) (8.8.) (27.8.) (15.7.) (1.07...) (6.97...) (7.6.) (7.6.)

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1.2 1.1125

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0.6125 1.5 0.75

Share price relative to the

#### Burmah in £24m disposal to Norsk

Burmah Castrol, the lubricants, chemicals and fuels group, is selling its service sta-tion business in Sweden to Norsk Hydro, Norway's biggest quoted company, for £24m

stations in Sweden, with about 8 per cent of the market. The Burmah purchase will take its

businesses in Australia, Belgium and the Republic of Ireland. The company said the Belgian and Irish businesses were so small that they

offered us a lot of money we would extricate them but that is not likely in the near future," it said.

### AND EIGHT (8) MINIBUSES

- 3. Interested eligible hidders may obtain further information from and inspect the Bid
- application to the above address and upon payment of a non-refundable fee of US\$50 or equivalent Turkish Lira. The fee will be paid to Garanti Bankasi, Yenişehir Subesi (Sube kodu 170, Milli Müdafax Cad. No:4 Yenischir 06440-Ankara, Telephone: 00-90-(312) 418 90 17, Fax: 00-90-(3121-418-55-78), Project Co-ordination Unit Account No. 6202586-1. The original receipt for this payment will be presented to the Project Co-ordination Unit
- 5. The provisions in the Instructions to Bidders and in the General Conditions of Contract are
- 7. Bids will be opened in the presence of those bidders' representatives who choose to attend at 14,00 hours on Monday, 20 May 1996 at the above address.

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### £200,000,000

Floating Rate Notes due 1997 the Interest Period 21st arch, 1996 to Ilia June, 1996 sharen, 1990 to 21st june, 1990 the Notes will carry a Rate of Interest of 6.3125% per annum with interest amounts of £158.67 per £100,000 and £1,586.75 per £100,000 Note, payable on 250.500.000 Its: June. 1996.

The Financial Times

nkers Trust

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# By Motoko Rich

Filling station disposals have so far raised nearly announced the sale of its net works in Turkey and Chile for £44.2m and £20m respectively. Last July, it sold its UK fuels business to Frost Group for Burmah said it had decided

to sell the Swedish network because trading conditions had deteriorated and competition had intensified. Mr Jonathan Fry, chief executive, said: "Norsk Hydro, by virture of its larger share of the Swedish" market, is in a good position to develop the business for the

At present Norsk runs 220 share to 11 per cent.

Burmah has remaining fuels were integrated with the lubri-cants divisions in those coun-

"If someone came along and

#### COMPANIES AND FINANCE: UK

#### Sale of testing services could raise £300m and leave net cash

Inchcape looks to distribution By David Wighton

Incheape could raise more than £300m (\$459m) from the sale of its testing services division as part of a strategy unveiled yes-terday of focusing on its distri-bution businesses.

.The group announced the proposed sale and confirmed the departure of chief executive Mr Charles Mackay, 55, as it revealed a 36 per cent drap in annual profits to £146.8mbefore exceptional charges.

Sir Colin Marshall, who has been conducting a strategic review since becoming chair-man in January, said that focusing on a limited number of potentially larger interna-tional businesses would ensure that management effort was spent in the most appropriate

He added that the sale of



testing services and the pro-posed flotation or demerger of Bain-Hogg, the insurance broking arm - both planned for this year - would "increase the group's financial flexibility to opportunities they offer". Analysts estimated that testing services could raise more than £300m; if Inchcape opted for a flotation of Bain Hogg it could

ing the group with oet cash.

Aoalysts said Mr Mackay was paying the price for the slump in Inchcape's underlying profits, which bave almost balved over the past two

Trading conditions had con-tinued to deteriorate in some areas, said Sir Colin, but Inchcape's actions and those of its suppliers and the weaker yen would "progressively benefit" the group during the second

Sir Colin also annouoced that the management of its marketing division, ceotralised in London in 1992, will be moved back to Asia. Inchcape will also consider the introduction of new partners or local shareholders "to add value and improve the stability and growth" of the marketing busi-

### SB chief given £0.85m for relocation costs

Mr Jan Leschly, the Danish-born chief executive of SmithKline Beecham, was paid £850,000 (\$1.3m) in relocation expenses when be moved from the UK to the US. The payment was for the costs of moving and did not cover buying any

The relocation expenses, paid in 1994, were disclosed in the company's 1995 annual report, published yesterday. Companies normally pay top executives relocation expenses but this is one of the biggest amounts.

The UK's second-biggest drugs company also disclosed that Mr Leschly was paid \$1.8m in 1995. His hasic £800,000 was supplemented by a £928,000 bonus and £76,000 in other benefits. That compared with a £2.4m package in 1994 Mr Leschly moved bouse from Buckinghamshire to Princeton, New Jersey, where he already owned a property.

1989 when SmithKlioe Beckman of the US merged with the UK's Beecham. The new company is based in the UK, but has extensive operations in the

The accounts also show payments to two former directors of £3.2m in 1995. Mr Bob Bauman, Mr Leschly's predecessor £2.8m, of which £1.85m related to a long-term incentive scheme. Mr Henry Wendt, former chairman, received 2392,000.

of the best payers to top execu-tives. Mr Bauman was one of the first chief executives of a UK company to receive a £1m a-year pay package in the late

Last week, the 1995 annual report from Glaxo Weilcome, the world's largest pharmaceuticals company by sales, revealed that Sir Richard Sykes, chief executive, had beeo paid £2.15m in the 18 mooths to the end of 1995. In addition to his 1995 pay packet, Mr Leschly received

£386,000 (£329,000) in pension

contributions. Other SB directors fared less well. Mr George Poste, bead of research and development, saw his pay cut to £714,000 (£1m).

### LEX COMMENT

It has been a long wait for Securicor shareholders, hut it will have been worth it. At one fell swoop, Securicor has resolved two of the three core issues that have restrained its share price: namely an absurdly complex share structure, and the tax implications of selling its 40 per cent stake in Cellnet. Moreover, the third issue -achieving the sale or flota-tion of Cellnet - has become less of an obstacle, since the management has in effect put the company into play.

170

holders in its subsidiary Security Services and unifying three separate classes of shares, Securicor re-emerges as tempting morsel for an outside buyer. Its share price should reflect this. Eveo assuming a 20 per cent discount to Vodaphone UK - on the basis of value per population within the network area - the Cellnet stake is worth £200m more than Securicor's entire market capitalisation after the restructuring. And it can be sold tax-free. The rump business would be worth £350m on an average price-earnings ratio. And the increased management focus on the residual business could only help improve the current low margins. Without improvement, the business will remain vulnerable to hidders

Of course, the Department of Trade and Industry blocked earlier plans to sell the Cellnet stake to the obvious buyer, its 60 per cent sharebolder British Telecommunications. Nonetheless, the cellular phone market has since become more competitive, and the strength of competition is emphasised by the flotation of Orange. And even if the DTTs fuzzy logic continues, there must be scope to sell to one of BTs global

### Bilfinger loses £9m on Birse sale

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Construction Correspondent

Bilfinger & Birger, the large German construction group, is estimated to have incurred a £9m (\$14m) loss on the sale of its 9.7 per stake in Birse, the UK construc-

It joins a number of continental European construction groups which have made large losses after purchasing stakes in UK building and civil engineering groups in the mid to late 1980s.

Billinger's shares have been placed at 20.25p each with investment clients of stockbrokers Cazenove

The German company originally paid 120p. or £11.4m, for a 15 per cent stake in Birse when the UK company was floated in 1989. It paid a further £1.8m in 1993 when the group raised £24m through a share placing to strengthen a weakened balance sheet. Bilfinger's stake, as a result, was cut to just under 10 per cent.

#### Securicor simplifies capital structure

Securicor, the security, parcels and communications group, pleased investors yesterday by announcing long-awaited proposals to simplify its complex capital structure. The assets and businesses of Securior and its majority-owned subsidiary, Security Services, are to be transferred to a new holding company and the four classes of

share capital are to be converted into one. Shares rose strongly after analysts said the new capital: structure made a takeover bid for the group more possible. The market was also pleased by a statement from Securicor that any future sale of its 40 per cent stake in the Cellnet mobile telephone network, would not result in a tax liability.

#### Strong demand lifts Vero

Strong demand from the telecommunications and electronics industries helped Vero Group, the manufacturer of specialist racks and enclosures which floated on the stock market in November, increase annual pre-tax profits by 23 per cent from \$6.5m to \$8.11m (\$12.4m). However, the figure included a \$3.2m exceptional charge for an employee profit sharing scheme, without which profits rose 71 per cent to £11.3m. Turnover increased 23 per cent to £97.2m.

Supplies to the mobile telecoms husiness, up 40 per cent during the year, rose from 19 to 21 per cent as a proportion of

Capital expenditure of £4.5m during the year included expension of the group's Uxbridge plant to allow assembly of digital mobile base station sub-racks and enclosures for Ericsson. The Swedish electronics group is Vero's largest

customer, accounting for about 15 per cent of revenues. In continental Europe, there was a recovery in Germany and smaller improvements across the group's other markets. Vero also expanded production capacity at its Connecticut facility in the US. New distributors were appointed in Taiwan and Japan, while the group took a 35 per cent stake in an Indian electronics packaging manufacturer. Christopher Price

#### Slough to resbuffle management

Slough Estates, one of the UK's largest property companies, is meparing for a reshuffle which is expected to lead to the departure of one of its most senior managers. Sir Nigel Mobbs, chairman and chief executive for 20 years, will step down from the latter post in favour of Mr Derek Wilson, currently

managing director.

Mr Roger Carey, also managing director and tipped to
succeed Sir Nigel, is expected to leave. The reshufile clears the
way for Mr Wilsoo to bead Slough Estates when Sir Nigel, 58,
retires as executive chairman.

It also brings the company into line with the recommendations of the Cadbury Committee on corporate governance which recommended splitting the roles of chairman and chief executive. Simon Simon London

#### Williams makes security buys

Williams, the international industrial holdings group, is strengthening its position in the European and North American security market with two acquisitions.

The group, which owns the Yale brand, has paid \$14.1m for Folger Adam, the US prison security lock and high security window specialist. It has assets of about \$14m and has been operating in Chapter 11.

Williams has agreed to pay L13bn for Corni Serrature, the Modena-based locksmith which has been under court administration. The deal is aubject to court and creditor approval and confirmation of asset valuations.

#### 'Horrible year' for Hodder

Mr Tim Hely Hutchinson, chief executive of Hodder Headline, the UK publishing group, is happy to have left 1996 behind. "It was a horrible year. The retail, book club, library and schools market all went soft at the same time," he said as announcing a 30 per cent fall in 1995 pre-tax profits to 25.7m (\$3.72m). Unexpected sales shortfalls reduced print runs and also hit gross margins through clearances of excess stock and resulting provisions. Hodder said it would continued to take Raymond Snoddy

#### action on margins and overheads. Dmatek losses increase

Dmatek, the Israel-based software company that joined Aim through a placing in December, announced pre-tax losses of \$3.47m our sales of \$785,000 for 1995. Losses last time were

\$388,000 on turnover of \$212,000.

It has won a contract for electronic monitoring of house arrest in the US, where sales last year were \$360,000. Sales in Israel were \$278,000 and in Europe, \$147,000. Losses per share deepened to 26 cents (8 cents).

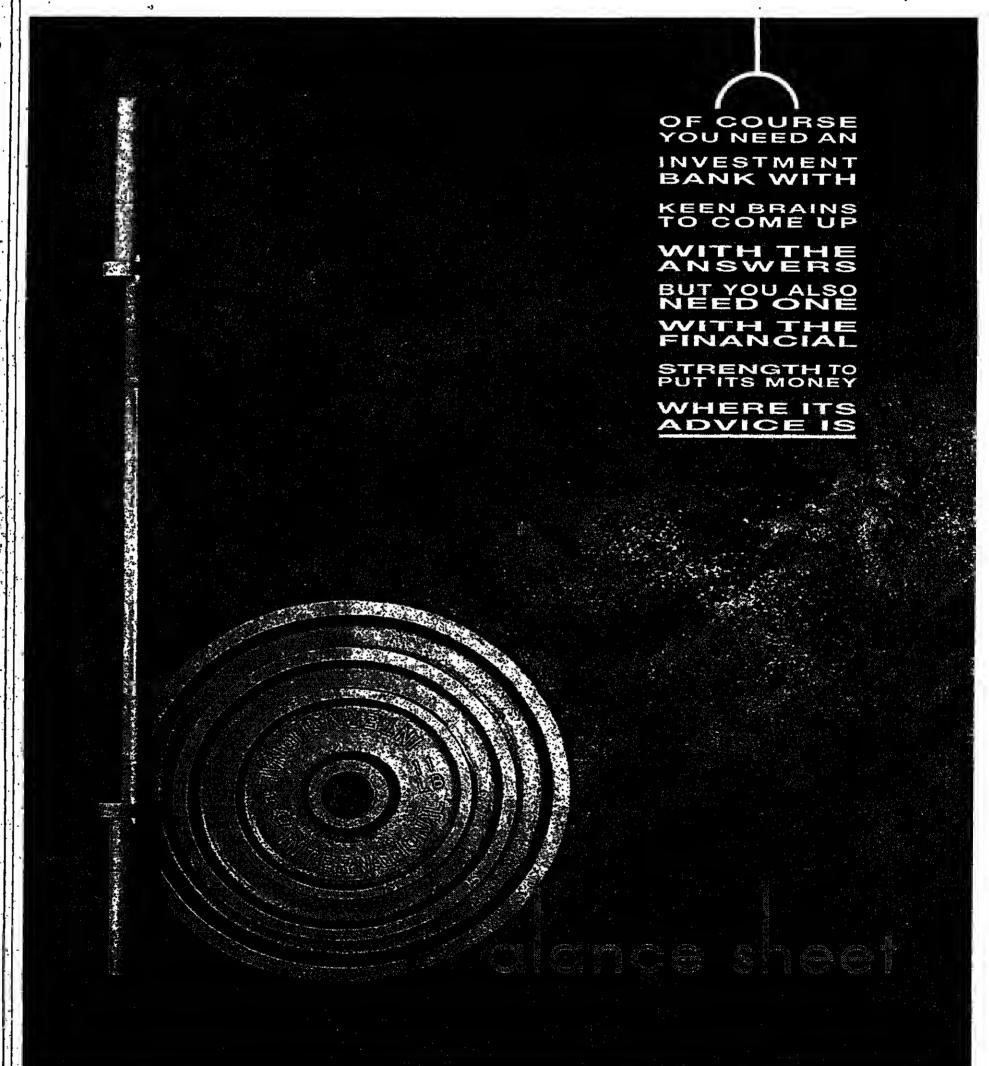
#### Indonesian expansion for C&W

Cable & Wireless, the UK-based international telecommunications group, is to acquire a 25 per cent stake in an consortium which will build and operate a fixed and wireless telephone network in Indonesia's Kalimantan region. The stake in the Daya Mitra Malindo Kalimantan KSO

consortium represents its first investment in the fast expanding Indonesian telecom market and plugs a gap in the Paul Taylor group's South East Asia operations.

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NVESTMENT



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#### LAW

### Ban on drug imports valid



The European Court of Justice has ruled in favour of a Belgian prohibition on the importation of veterinary

COURT medicines from other European Union states in cases where they were not authorised in Belgium. The ruling arose out of proceedings brought by groups which included vets, dispensing chemists and a company specialising in supplying chemists in Belgium with medicines not authorised in Belgium but authorised in France.

They applied to the Belgian Conseil d'Etat for an order annulling the Belgian legisla-tion which prohibited all imports of unauthorised medicinal products apart from cer-tain exceptions. The Belgian court referred the cases to the European Court, asking whether it was possible for a member state to prohibit the import of a medicinal product, where its marketing had not been approved by the compe-

tent national authority. The European directives in this field were intended to harmonise the legislation of EU states on veterinary medicinal products and, in particular, the conditions governing the authorisation for their marketing. They recognised that the primary purpose of such rules was the safeguarding of public health, and the remaining barriers to freedom of movement should be gradually removed.

A recent directive estab-lished a European Agency for the Evaluation of Medicinal Products and sought to ensure that authorisation to place a medicinal product on the market in one state was in principle recognised by the competent authorities of the others.

The veterinary groups relied on four main arguments. First. they submitted that since the directives did not provide for full barmonisation of all national measures, they left room for the application of Treaty of Rome principles governing the free movement of goods. The court rejected that argument and observed that the wording of the directives meant only that the system of multiple national authorisations for the marketing of products was destined to be replaced by a system under which account was to be taken of authorisations granted by other member states, and subsequently by a system for their mutual recognition.

Second the groups argued that some medicinal products. such as serums, did not come within the scope of the directives and left room for the application of the rules for the free movement of goods. The European Court declined to rule on this directly and observed that it was solely for the national courts to determine in each case the need for a preliminary ruling and the relevance of questions submitted. Since the Belgian court had not requested an interpretation of the treaty rules, the European Court did not need

to make such a ruling. Third, the veterinary groups argued that the directives only covered the placing of medicinal products on the market. and not the import by a dispensing chemist of a product which had not been authorised in Belgium. However, the European Court ruled that the directives covered both the marketing and the administration of products and, therefore, also their import by a chemist.

Finally, they argued that animal owners were dependent on the goodwill of pharmaceutical companies which refused to place certain products on the Belgian market because of the formalities and costs associated with authorisation, and the low profits earned in a market as small as Relgium.

The prohibition on importing products for which no equivalent existed on the Belgian market therefore endangered the bealth of animals and humans, However, the European Court said that, in adopting this legislation, Belgium was actine within its sphere of competence under European law, and it was therefore only in the light of national law that the public health policy pursued could be assessed.

C-297/94: Bruyere and others v Belgium, ECJ 1CH, March 21

BRICK COURT CHAMBERS.

#### INTERNATIONAL PEOPLE

#### Kvaerner names oil & gas team



Norwegian engineering and ship-building company, has named new executives to head its oil and gas division, which is due to be bolstered by

the recent agreed takeover of Britain's Trafalgar House group. Tore Bergersen (above) has been named executive vice president in overall charge of a new regional structure into which the merged oil and gas operations of the two groups will be put. He will be based in Lon-

Ingebrigt Moum will lead the Norwegian region, with Graham Gottsche the head of the international region and Frank Chapman, a new recruit from Shell, due to take over the UK

The merged operation will he among the world's biggest offsbore oil and gas fabricators, rivalling market leaders Brown & Root and McDermott of the US. Robert Corzine

#### Air Canada's pilot

Another American will soon take the belm at Canada's higgest airline. Lamar Durrett 56 takes over in May as chief executive of Air Canada. He replaces Hollis Harris, 63, the Georgiaborn Delta and Continental executive. who bas turned the airline round

since be took the controls in 1992. Durrett, who moved from Delta to Air Canada with Harris, is Air Canada's chief administrative office and has long been regarded as Harris's protegé. Durrett, who comes from Atlanta, has broad experience of running technical and administrative operations at several US airlines

including Delta and Continental. Although Air Canada is in a much stronger position that it was when Harris and Durrett moved in, it still faces fierce price cutting in its domestic markets at a time when it is trying to expand further into the US and Asia. Harris will continue as executive chairman but there bas been speculation that be may also set up a new low cost carrier in the US.

#### Saison succession

Seiji Tautsumi, founder of Japan's Saison Group, has taken over as chairman and chief executive of his group's Inter-Continental Hotels and Resorts chain, following the death of

Sueaki Takaoka. Inter-Continental, which operates 170 botels in 67 countries, is probably the oldest of the big international botel chains. Set up by Pan American Airways in 1946, it has changed hands several times and was owned by Britain's Grand Metropolitan before being sold to Salson in 1989.

Saison, a privately-owned conglomerate controlling nearly 200 companies, is planning to float the Intercontinental Hotel management business on the international stock market

Tsutsumi says that he plans no change to the strategies, structure and organisation which have been put in place by Takaoka, 67, who has headed the botel chain for the last four years. William Hall

#### Beltrami takes chair

Ottorino Beltrami, 79, has been promoted from deputy chairman to chairman of the charitable foundation which owns Cariplo, one of Italy's largest banks. His predecessor, Roberto Mazzotta, stepped down from an operational role two years ago after he was implicated in a Milanese corruption investigation.

Beltrami was chosen as one of the few politically neutral members of the foundation's hoard, most members of which are nominated by the local and regional authorities in Milan and Lombardy. Ha may well have to presida over the partial privatisation of the Milan-based bank, announced last year. Andrew Hill

#### Citibank departure

Citibank's head of European real estate has resigned from the US bank following a management reshuffle. Jeff Heintz, managing director of Citibank's European real estate group, has left the bank to set up his own property consultancy.

Under Heintz, Citibank was actively involved in European property mar-kets both as a lender and as an equity investor. It backed landmark projects such as the development of Frank-

furt's 60-storey Messeturm office tower, which is widely regarded as one of the most profitable European office developments of the last decade.

Heintz's role has been filled by John McLean, the Canadian banker responsible for Citibank's stake in Canary Wharf, the office development in London's Docklands which was sold last year to an international consortium for £800m. Simon London

#### Goldstein's new card

Sears, Roebuck, the US retailing giant, has underlined its commitment to strengthen its credit card business by poaching Steven Goldstein from American Express. Goldstein, 44, who resigned as chairman and chief executive of American Express Bank in February, is joining as president,

He succeeds Jane Thompson, who was recently named president of Sears Home Services. Prior to joining American Express Bank, Goldstein had worked in the American Express card business, and Citicorp's consumer services group.

#### Ricoh's president

Ricoh, the Japanese office equipment maker, has appointed the former head of its European operations as its next president. Masamitsu Sakurai, 54, genaral manager for research and development at Ricoh, takes over as president on April 1 when Hiroshi Hamada, 62, the current president, moves up to be chairman.

Sakurai, who joined Ricoh in 1966. was involved in establishing Ricoh's first European manufacturing plant at Telford, Shropshire, in 1984 when he was president of Ricob UK products. Since then Ricoh has put down strong roots in Britain, culminating in last year's acquisition of Gestetner, the office supplies company. William Hall

#### Lewis' revolving role

John Lewis, Amdahl's chairman, has taken on the additional roles of president and chief executive of the Calif-ornia-based mainframe manufacturer. following the surprise departure of Joseph Zemke who has resigned "for personal reasons".

For Lewis, 60, who joined Amdahl as president in 1997, this will be the second time be bas held the dual role of president and chief executive. He became chairman in 1987, and served as chief executive from 1983 to 1992. Zemke, who joined Amdahl in 1985 as chief operating officer, first suc-

ceeded Lewis as president in 1987 and then as chief executive in 1992. Under his leadarship Amdahl, which is 44 per cent owned by Fujitsu of Japan, has been attempting to mod-ernise its product portfolio and make the transition from being an old-style manufacturer of IBM-compatibla mainframe computers to a broader based computer group.

Commenting on the changes, Lewis paid tribute to Zemke, who had, he said, "positioned the company well to take advantage of the dynamic mankets we are now able to address.

#### ON THE MOVE

■ ELECTROLUX of Sweden has appointed Luigi de Puppi, 54, chief executive of Electrolux Zanussi, the parent company for the Swedisb group's white goods activities in Italy. He takes over from Lennart Ribohn, a senior vice president of Electrolux, who remains on the Italian

company's board. Richard Reynolds-Hale has been appointed general manager of the north American animal health business unit of HOECHST-ROUSSEL AGRI-VET. He joins from Hoechst South Africa, where he had been managing director of Hoechst Agri-Vet since 1991. ■ Samuel Huey, 44, has been appointed publisher of PC WORLD, owned by PC World Communications, a subsidiary of International Data Group. He joins from Ziff-Davis Publishing, where he was ultimately publishing director

for PC/Computing.

Peter Dalley, chairman of

the supervisory board of MEMOREX TELEX for the last four years, replaces Marcelo Gumucio, who has resigned as chief executive.

P.R. Rastogi has been appointed managing director of the newly-formed company Clariant India, a subsidiary of CLARIANT INTERNATIONAL. Gordon Paris has been named managing director of high-yield origination and capital markets for TORONTO DOMINION SECURITIES. He was previously managing director and head of the leveraged finance group at CS First Boston. Bernard Isautier has been

appointed to the board of HURRICANE HYDROCARBONS, a Canadian energy company developing four oil fields in Kazakstan. He was most recently chief executive officer of Canadian Occidental.

Alan Mnuchin and Michael Yagemann have been appointed by BEAR, STEARNS as co-heads of its media and entertainment group. Mnuchin Joins from Goldman Sachs,

where he was a vice president in its investment banking division. Yagemann currently serves as bead of the firm's media and entertainment

Francisco Ros has been appointed chairman and managing director of UNISOURCE, the pan-European telecommunications group, in which Telefonica has a 25 per cent stake; he was previously director of Telefonica a international communications

department. Luigi Capuano, former general manager of Istitutu San Paolo di Torino, has been appointed managing director of BANCA POPOLARE DI NOVARA. He replaces Andrea Bertozzi, who will resign on April 27 1996. Goenter von Au. who previously managed the construction division, has taken over the management of

succeeds Klaus Hoefelmann.

who has moved to the silicones

the polymers unit of WACKER-CHEMIE, He

president of Dow ■ Peter Lee has been named hy property consultants JONES LANG WOOTTON as chairman for JLW Hong Kong.

Andrew Liveris has been

appointed by DOW CHEMICAL

as president of Dow Pacific. He

was previously business vice

With the company 20 years, he is the first Chinese national to run the local office. Krishan Dhawan has been named by BANK OF AMERICA as bead of its Asian banking unit in the US. Dhawan has been with the bank for 18 years in Asia and

now will be based in Los

Angeles. John Legere has been appointed president of AT&T Asia/Pacific, a new services

company. ■ Pierdonato Palusci becomes chairman of GOODYEAR FRANCE. He replaces Sylvain Valensi, who was made vice chairman of Goodyear Europe earlier this year.

Leo Crawford, finance director of Irish Distillers, has

been appointed managing

director of BWG FOODS. Paul Duffy becomes finance director of IRISH DISTULERS. ■ Jean-Claude Gruffat become chairman Asia/Pacific of BANQUE INDOSUEZ. Gruffat was recently in charge of Indosuez Capital, the equity and investment banking operations of Banque Indosuez world-wide. He will be based in Singapore.

John Wills has been promoted to managing director John Hancock Advisers International, the London office of Boston-based JOHN HANCOCK FUNDS. ■ Richard Crystal joins THE LIMITED as chief executive officer of Leiner New York, tha sportswear division. Between

1974-95 he held various positions with R H Macy. ■ Bob Frey, chairman and chief executive of Whirlpool Asia (WAAG), a subsidiary of WHIRLPOOL CORPORATION, is resigning. Bob Hall, president and chief operating officer of WAAG, will become executive vice president of Whirlpool Corporation and president of Whirlpool Asia.

Roy Armes, vice president, manufacturing and technology. WAAG, becomes president of the Greater China operating region, based in Hong Kong. ■ Lance Browne, Hong Kong-based regional director for PowerGen, has been appointed STANDARD CHARTERED BANK chief executive for China and Macau. Browne, who speaks fluent Mandarin, will be based

in China. Wilbur Prezzano has been appointed vice chairman at EASTMAN KODAK, He will continue as president of the company's operations in China.

International appointments lease fax announcements of new appointments and retraments to

International People:

BOKAKSIOG

Set fax to Tine ..



There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to he your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you

and me. Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.



We're not even asking for money (though every cent certainly helps). But we are asking that you keep an

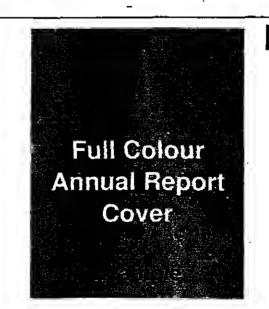
open mind. And a smile of welcome. It may not seem much. But to a refugee it can mean everything.

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#### COMMODITIES AND AGRICULTURE

### **OECD** forecasts increased grain price volatility

By Richard Mooney

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World grain prices are likely to become increasingly volatile over the next few years in spite of a recovery in stock levels, according to the Organisation for Economic Co-operation and

Low stocks, tight supplies, robust demand and unusually high prices" characterised international cereal markets at the begining of the five-year period discussed by the OECD in its latest Agricultural Outlook report the organisation

it added, however, that that trend was unlikely to last. High prices will ration demand and stimulate additional supplies," it explained, "and world wheat and coarse grain prices will fall from their current highs over the medium term. They are, nevertheless, expected to remain well above

World grain stocks, which recently fell to 20-year lows, were likely to increase again, the OECD said. But they would remain below historical levels, opening the possibilities for increased price volatility over the medium term".

The report suggests that high feed costs will lead to slower growth in pork and poultry production in most OECD countries. Wheat stocks



On beef, the report, which was prepared before the latest "mad cow disease" crisis developed in the UK, predicts "no major swings in cattle cycles". It forecasts a continued increase in total meat supplies "putting downward pressure

prices in many countries" Stronger prices are expected, however, towards the end of the decade, "dne to even greater market access, strong import demand from Asian countries and reduced oubsidies exports by the European Union

"Lower surplus production of milk coupled with less substdised exports are expected to bring about high world prices for dairy products," the report says, "particularly skim milk powder and chaese." It seed world butter prices staying well above the averages for the first half of this decade.

in a statement published yes-terday the OECD said its forecasts suggested good prospects for market-driven growth in world commodity markets in the medium term, "with prices generally higher than in the past, but more volatile". The Agricultural Outlook

Trends and Issues to 2000: From OECD publications distributors, including HMSO, PO Box 276, London SW8 5DT. Prices: FFr175 in France: else where FFr175, US\$34, or DM50.

> son continued to be a worry. LCE robusta COFFEE also drew some support from New York dealings in late trading, but prices ended down as producers gathered in London for a technical meeting.

Coffee Producing Countries. Compiled from Reuters

By David Pilling in Buenos Aires

Nearly all possibility of concluding a swift Anglo-Argentine fishing agreement in disputed South Atlantic waters had been ended by recent British actions over South Georgian fishing licences, Mr Guido Di Tella, Argentina's foreign minister, said yesterday. in an interview, Mr Di Tella said the decision last month to

charge an Argentine flag ves-

sel to fish around South Geor-gia, a UK dependency, was "ill-timed and ill-conceived", and "put a cloud over the whole relationship" The Falkland islands govern-

ment Is keen to establish long-term fishing quotas in the South Atlantic, particularly for the highly prized ilex squid. The fact that catch levels have dropped alarmingly in the past few seasons has raised coocern that South Atlantic waters are being severely over-fished. The

In June 1997, the Potato

Marketing Board will fol-low most of the other UK

agricultural marketing boards,

reated in the farming depres

sion of the 1930s, into oblivion.

Ostensibly, this has been

decreed by the Ministry of

Agriculture because marketing

boards do not comply with

European Union rules -

whereas co-operatives do. in

reality, however, such boards

and their historic ability to

manage supplies and intervene

in markets do not fit the free

market convictions of the Brit-

ish government. Following a

prolonged period of lobbying

by the friends of the potato

board and delay by the govern-

ment, it was finally decided to

But as well as market man-

agement, the PMB has always

been involved in generic pro-

motion, statistical analysis and

research and development. It is

perceived by many potato

growers, come of whom are

still disappointed et the demise

of the PMB, that there is an

on-going requirement for such

The Minister of Agriculture

has conceded that this may be

so and has agreed to create a

new body to pursue these

objectives if potato growers

indicate that they want one

and are prepared to fund it.

Accordingly, all registered

potato growers will, within the

next few days, receive a voting paper on which to record their

close it down.

ilex squid migrates hetween Argentine and Falkland waters making co-operation in conservation essential.

Argentina accuses Britain of Falklands fishing licence 'blunder'

Mr Di Tella said Argentina disputed Britain's right to charge licences in waters around South Georgia, which were administered under the Convention for the Conservation of Antarctic Living Resources. in the past, Argen-tine vessels had been allowed to fish freely in the region. Mr Di Tella said the decision

to provoke an incident with Argentina by charging an Argentine-registered vessel \$110 000 to fish in the zone must have been taken at a low level. He could not believe such a "blunder" could have been made at the highest levels of the British foreign office. British actions had succeeded only in "ruining the fishing

negotiations", he said. In any case, fishing talks beld in Bnenos Aires last month - before the South Georgia incident - had not gone well, he said. The Falk-lands government was pressing for an "unrealistic and premature" long-term agreement that amounted to a "British cartel" over fishing in the South Atlantic, he said.

Argentina, instead, sought greater scientific co-operation to determine stock levels. "One of the problems in the South Atlantic is that we do not know enough about the behaviour of the stocks," he said.

Falklands officials have, in the past, accused Argentina of using this as a pretext for stalling negotiations, thus maintaining political pressure on the Falklands, whose economy is largely based on fishing. Mr Di Telle said problems over fishing should not divert attention from the excellent progress made in oil A recent

Anglo-Argentine meeting to discuss an oil co-operation zone in the South Atlantic had been very fruitful.

#### MARKET REPORT Chips are down for potato growers LCE cocoa upturn runs Choices have to be made soon on arrangements to replace Britain's marketing board

London Commodity Exchange COCOA futures flirted with upside ranges on Monday but gains were capped by a lack of industry buying, traders said. After a otrong start that saw the benchmark Mey delivery contract easily pierce nearby resistance at £905 a tonne the market drew further support

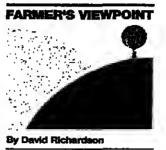
out of steam

from New York to reach a twoweek high of £912. But it then shaved gains and ended at £910, still a two-week high and up £17 on the day.
"We seem to be following
New York," said one trader,

describing activity as mainly short-covering by speculators and trade buying. While the market emerged from well-worn contract lows,

traders remained sceptical about its ability to attack the upside. "We haven't seen much industry buying," one said. But fundamental news was lacking, while the scale of Ivory Coast supplies this sea-

"It's going to ba a bit of window-dressing and nothing more," said one trader of the meeting between the technical experts of the Association of



The chairman and staff of the existing board are, somewhat predictably, in favour of a new body which, if approved by a majority of growers, will be called the Great Britain Potato Organisation. The NFU has also declared itself in

favour of the GBPO. Moreover, the chairman of the NFU's potato commodity committee, Mr Jim Padfield has made the point in a letter to all potato growers that "in the absence of a Enropean potato regime [the crop has never been the subject of EU regulations or price guarantees] national support [for potatoes] will continue to be available to our European competitors. Our sole protection is

There can be little doubt that the promotion of potatoes in the UK, by the processing sector as well as the PMB, has

1,522

continuing technical innova-

tion and product promotion,"

worked. Britain now consumes more potatoes per head of population than most other countries in the world.

Research funding by independent agencies is being severely and potentially seriously cut and this trend needs to be redressed if possible. Mr Padfield believes a national body to co-ordinate such matters in the future is vital.

The plan, as explained to potato growers in papers accompanying their voting forms, is to spend each year £2m on market development, £2m on research and development, £1.4m on collecting and disseminating statistics on the crop and almost £1m on administration and collecting the cash to fund itself. This all adds up to some £6.32m a year which, it is envisaged, would come from statutory levies on all potato producers, together with up to 20p per tonne handled from those who buy potatoes from farms.

o raise the producers' share of the necessary cash would imply a statntory levy of either £35 or £40 a hectare - on average roughly £1 for each tonne grown. The £5 e hectare difference will be dependent on potato growers' decision on what should happen to over £5m of reserves previously contributed by growers and still held by the

If growers, by their majority vote, wished for this money to be returned to them when the board is wound-up, the annual levy would be £40 per hectare. But the PMB and the NFU want to persuade growers simply to transfer the cash to the GBPO as an investment to get it started. Should this latter course be decided upon, the levy would fall to £35 a hect-

The two questions potato growers will have to vote on, therefore, are whether they wish for a GBPO with its implied costs and a staff of 65 and whether they want their money back or are prepared to leave it in the new organisa-

It has become clear in the weeks running up to the poll that some growers, particularly those with large acreages, have begun to think that those two questions are insufficient. For the record, it should be noted that the UK potato crop

has become concentrated among fewer and fewer growers in recent years. Indeed, some industry pundits suggest that 70 per cent of the potatoes produced in Britain are grown about 1,000 specialist farmers. And while many of these big operators are convinced of the need for some kind of co-ordinating body, some think the plans as stated are too ambi-

This even includes some elected members of the exist-

JOTTER PAD

ing PMB who believe the job that needs to be done could be adequately covered by a staff of about a quarter of the 65 proposed. Clearly, were this to be the size of a GBPO, there would be implications for running costs and the necessary levy would be smaller.

The same kind of individuals have expressed their objection to the concept of merely transferring the PMB money across to the GBPO. They do not approve of growers' cash sitting unused in a bank, even though the interest on it would contribute to running costs. Some suggest its very presence might lead to complacency, slack management and inadequate financial rigour. They want their money back to

ensure a lean, mean GBPO. The polling form, which potato growers must complete and return by April 14, does not allow for such variations in opinion.

So, what can dissatisfied producers do? Frankly, very little at this stage of the game. If, on balance, they believe such a body is necessary, they can ouly vote "yes" and hope that the people selected to run it agree with them and cut it back to size as soon as practicable. If they vote "no", they run the risk of being inadequately represented in the corridors of power, both in the UK and in the EU. For some it is not a happy or straight-forward choice.

#### COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE (Prices from Amalgamizad Metal Trading)

ALUMENUM, 90.	PURITY OF PO	or tionnej
Close Previous High/low AM Official Kerto Close Open Int.	Cash. 1639.5-40.5 1639-40 1637 1636-36.5 219.546	3 raths 1670-71 1669.5-70.0 1675-1661 1668-87 1674-5
Total daily turnover.  M ALUMINIUM ALI	44,832 DY 65 per toon	
Close Previous Highliow AM Official Kerb close	1390-95 1380-90 1375-80	1425-30 1415-25 1420/1418 1415-19 1420-25
Open int Total delly turnover ELEAD S per tonn	5,857 1,534 4	802-3
Close Previous High/low AM Official	864-69 822/820 822-63	798.5-99.0 802/792 797-98
Kerb close. Open int. Total delly turnover III NICKEL (S per to	40,315 10,639 One)	799-800
Clase Previous High/low AM Official	8220-30 8170-80 8115-20	

Clase Previous Highslow AM Official Kerb close Open int.	8115-20 42,485	8315-20 6250-70 8370/8200 8215-25 8365-70
Total daily turnover	6,839	
TIN (5 per tonne)		****
Close	6370-60	6390-400
Previous	6320-30	6340-50
High/low		8440/6300
AM Official	6335-45	. 6365-70 "
		6395-400
Kerb close		0300-000
Open Int.	10,039	

	Close	1062-63	1086-67
	Previous	1062.5-63.5	1086-87
	High/low		1080/1079
	AM Official .	1063-63.5	1087-67.5
r	Kerb close		1087-88
	Open int.	71,434	
	Total deliy turnover.	13,111	
	M COPPER, grade /	(5 per torme)	
	Close	2529-31	2511.5-12.8
	Previous	2532.5-3.5	2521-22
	High/low	2516/2515	2515/2482
٠.	AM Official	2515-10.	2502-3
•	WAY CALCUM		2544 45

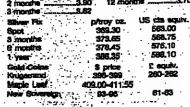
ZRC, special high grade (\$ pertonne)

	Open Int. 177,267 Total dely turnover 63,262	2017
•	E LME AM Official 2/5 rate: 1.5235	
:	Sport 7.5235 3 miles 1.5208 6 miles 1.5107 0	mile: 1
	HIGH GRADE COPPER (COMES)	

	RI GRADE COL		301		_
	Sett Bay's pides change	High	Low	Vol	Open list
	119.00 -0.25 115.00 -0.30	117.60	115.90		1,393
les .	114.90 -0.25 113.70 -0.40	<b>#16.10</b>	114.30	9,673	20,953 874
at.	112.90 -0.40 111.30 -0.35	114.00	112.80		5,312 2,879
otal otal	11120 -0025		-:	11,469	

PRECIOUS METALS 

	Alf City I brown and the same			
1	Day's High 398.25	5-398.50 · ·	•	
	Dey's Low 397.60	398.00		
	Previous close: 397.50	_207 AD		
	LIBAIONE CICOR SEL SE			
	Loco Ldn Meen Gold	i Lending i	letet (Vs.U	229
	7 month35	24 ft me	rdhe	37
	4	- 40 -		. 37
	2 mooths 3.5	A). 12 M	Cillian	
	3 months			٠.
			US cha	eculy
		Pruoy oz		
	Spot	369.30		
•	3 months	. 373.65	568.	75.
		378.45		10
	e montre	3(0,43	-	



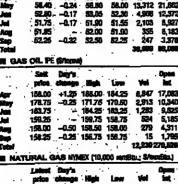
#### Precious Metals continued M GOLD COMEX (100 Troy oz.; \$/troy oz.)

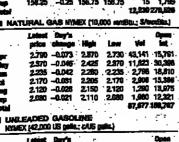
٠.	Suit .	Day's				Ope
٠	baybe.	thenge	High:	- John	V-L	int
-	396.8	+0.2	403.5	403.5	4	
	. 399.0	+0.1	399.2	398.3	28,446	53,6
	401.B	. +0.1	402.0	401.0	14,343	84.9
	4D4.1		404.1			
	-406.5		406.2			52
- 1	409.0	-0.1	409.3	408.3		
١					45,714	
LA	MAN	NYMEX	650 Tr	w 07 !		
٠.	414,0		414.5.			
٠.			417.5			10,4
	419.4	-0.3	420.5	416.7	1	2,0
		-0.3			-	7
	424.8	-0.3	٠.		. 1	3
1				•	2,264	23,2
AL	LADIUN	NYME	X (100	Trov co	: \$/tro	v oz
-						
		-0.10	·	-		
•			143.00	142.10	713	
*	143.75		_			5
	144,75	-0.10				
	1.1				718	8,8
LV	ER CO	MEX (5.	000 Tro	y oz: (	Cents/tr	oy o
Τ,	562.2	+0.2	502.5	561,0	· 10	
	585.0	_	566.0	561.5	18.293	58.4

ľ		424.8	-0.3	. *	·	2,264	23,2
,	L	LADIUN	NYME	X (100	Τιογ α	z.; \$/tro	y oz
	ï	142.00	-0.10		_	. 5	
•					142.10	713	0.2
	4	143.75		_			5
•		144,75	-0.10			-	
ľ		1.1				718	8,8
Į	LÝ	FR CO	MEX (S.	nT 000	y oz.	Cents/tr	oy o
	Ϊ,				561,0		
		585.0		566.0	561.5	18,293	58,4
	•	569,8				1,352	
		574A				64	
		581.8		580.5	578,5	46	7,5
		689.2				10	3,1
1						19,773	GE R
						1500.00	-

			9.	. ·.		
	RGY		r (42 DC	10 115 /	wile Si	harrel)
	Labort	Dogra	7. 4	Low.		Open
likey Jess	20,20	-0.27 -0.10	20.29	21.45	53,523 31,252	67,323
Ang Rep	19.24 18.77 18.50	-0.07 -0.06	18.83	18,71	9,653	30,648
Oct.		-0.08		18.24		18,802
M CRI	DE OIL		permed	:	<u>-</u>	
	mice.	Day's	High	Low	Vel	Open Int

hal .	19.24	-0.07	19.32	19.18	21,445	50,161
رينا		-0.06		12.71		30,648
		-0.04			7,136	
let .		-0.08		18.24		18.802
obs			10-33		36.047	
					Pachas.	20,200
CRU	DE OIL	PE dy	berned			
٠.,	4-1-1	Day's				Open
٠.		ORDINA.	-	Low	Yel	int
			High			
ing .		-0.07	19.63		13,924	
Man		~-0,06	18,45	18.27	10,483	38,670
W .	. 17.58	-0.07	17.66	17.54	6.027	40,576
ion .	17.15	-0.08	17.25	17.14	3,826	13.815
ep.		-0.12			2.146	
let .		-0.11	16.65	16.74		3,858
otel						215,718
		- "				
HEA	TING O	T NAME	X (42,00	0 US gad	e.; c/US	geds.)
,	-	Den's				Djer
. :		Change	Migh.	Law	Yel	int
. '			_			
ger . ·		-0.75	62.95	61.20	16,499	77,968
7		-0.24			13,312	
		-0.17	53,05		4,905	
		-0.17		\$1.55	2,103	8,927
وم	51.85		52.00	51.00	355	8,183





					<b>67,677</b>	100,747
U	MEX MSTOO	GASO		- ·		£75,
PL		Day's				'Open '
	- price	مومخداء	High,		100	
	55.60	+0.11	66.1Q	64.80	10,543	19,063
	65.20	+0.28	65,40	64.35	12,337	30,055
9	63.50	+0.23	. 63.70	62,95		10,728
q.	61-20	+0.23	81.35	60.75	2,535	7,537
	\$5.00		56.85	55.50	1,385	4,867
P.	- 59,80	+0.20	\$6.90	<b>9.2</b> 5	946 32,235	1,783
			٠.	٠.	ووبابعد	r D <sub>1</sub> 300
		٠.				

#### GRAINS AND OIL SEEDS ■ WHEAT LCE (€ per tonne) Sett Day's price change high Low

		Days 4	spange	_	Liver	Mod	and.
7	Mar	121,10	+1.9	118.75	118.79	44	45
!	May	121.00	-0.10	121.50	121.00	174	3,172
0	Jul	123,00	-0.15	123.50	123.00	64	802
5	Sop	110.15	-0.20 -0.15	110.25	110.25	4 58	249
3	NO.	111,35 113,25	-0.10	111.45 113.25	111,30 113,25	20	1,452
6	Jen Total	11020	-0.10	11023	11220	350	6,200
-		EAT CB	T /6 000	thu min	r carrie		
-					_	_	
7	May	490,75		491.00		4,250	24,552
7	Jal	458.25	+8.25	458,50	445.50	5,875	43,323
4.	Sep Dec	459,50 469,50	+8.50	460,00	448,00 459,50	625 570	8,197 6,336
6.	. Mar	469,50	+6.50		485.00	10	410
5 .	Jan .	405.00			401,00	40	483
	Total					11,365	83,340
_		DE CET	65,000	bù min	: cente/	56th bu	dede
B .	blay	993.50	+3.50	384.25	389.50	32,848	_
	34	393.50	+3.50	380,00	375.50	15,965	
	Sep	328.25	+2.00	329.00	325.50	2,818	37,873
	Dec	314.00	+0.75		312.00	6,842	64,452
)	Har	318.75	+0.25	316.75	317.50	308	8,230
	May	321,50	_	322.50		30	353
9	Total					59,025	46,478
3 .	M BA	RLEY LC	E (2 pe	r torne	)		
;	Mer	108.85	-0.15				239
ź	May	108.50	-0.35	_	_	_	451
	See.	106.95	-	_	_	_	44
	Mov	107.20	-0.65	107.55	107.00	41	535
	Mov Jun Total	110.00	-	-	-	-	93
	Total					41	1,256
	M 80	YABEAN	S CBT (S	1,000ba	reiq; cent	e/60th (v	zsheQ
	May	732.25	+1.75	734.00	728.00	32,483	65.362
	1	738,75	+2.25	740.00	734.75	11,587	50,587
_	Ang	738.75	+3.00	738.00	734.00	888	7,891
	Sep Her Jen Total	729.25	+6.50	729.50	725.00	401	3,844
	Her	7525	+3.75	728.25	718.00	7,469	58,350
	Jen	730.00	+3.00	731.00	725,50	249	3,033
•	7000						19,018
		YABEAN	_				<u> </u>
,	May	25.31	+0.31	25.30	24,70		35,277
		25.64	+0.27	25.66 25.84	24.98 25.43		27,302
•	Ang	25.90	+0.20	25.84	25.60	510	6,884
	Sep Oct Dec Total		+0.30	28.05	25.75	97	4,590
-	Dec	25.00 - 25.25	+0.22	28.21	25,90	713	3.041 9,852
	Total	LULL			22450	14,134	87,422
	E 50	YABEAN	MEAL.	CBT (1)	00 tons	: S/ton)	
	May		-03	229.0			====
,	-	225.5 231.1	-0.4	231.9	227.2 230.2		37,911 28,340
	Jel Ang	230.9	-0.8	231.7	230.2	1,378	5,661
•	Sep	230.0	-1.0	231.2	230.0	220	3,510
	Sep Det Dec	228.5	+0.2	228.6	227.B	98 1,506	3,129
		225.6	+0.3	229.0	227.7	1,506	8,851
	Total .					17,205	<b>6</b> 7,717
_	M bo	TATOES	LCE (E/	(annot			
	Apr	109.0	+9.5	170.0	160.0	133	557
	May	177.0	+11.5	178.0	173.0	15	115
•	Jea	225.0	· · ~	-		-	
	NOV.	106.0	· -	-	-	• -	Ξ.
		117.4	401	118 0	115 F		122
	Total	111.4	741	1100	1139	170	794
	m pos	HOMOT (PA	FFEO I	CE ET	D/Inde	*****	
						- Named	
	for	1435	-10 -11	1435	1435	41	577 1.254
-	~	1445	_22	1445	1445	38	1,254 808
	₩.	1325	-5	1330	1326	49	1,891
	Oct	1370	-8	1370	1560	17	708
	Jan	169.0 177.0 225.0 106.0 130.0 137.4 (Sept.) (Sept.) 1513 1440 1325 1370 1360	-18	-		-	58 5.217

U	May	220.5	-0.3	229.0	227.2	8,078
В	Jul	231.1	-0.4	231.9	230.2	5,848
5 7	Ann	230.9	-0.8	231.7	230.3	1.378
	Sep	230.0	-1.0	231.2	230.0	220
8	Det	228.5	+0.2	228.6	227.B	98
8	Dec	228.6	+0.3	229.0	227.7	1,586
	Total					17,205
				• •		17,203
,	N PO	TATOES	LCE (E)	DOLUM)	·	_
	Aur	169.0	+9.5	170.0	160.0	133
8	May	177.0	+11.5	178.0	173.0	15
	Jea	225.0	· · -	-	_	-
2	libr	106.0		-	· _	• -
7	Mar	130.0		-	_	_
3 .	Apr	117.4	+0.1	118.0	115.5	20
	Total					159
5		BOHT (BI	-	~	04-4-	
•	<b>—</b> (mi	3071 6	TEN	TE (3)	William	pomo
_	Mar	1435	-10	1435	1435	41
Τ.	Apr	1513	-11	1520	1505	38
	Hing.	1440	-23	1449	1440	14

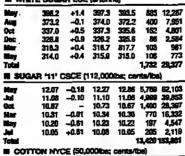
#### SOFTS COCOA LCE (S/tonne Sett Day's price change

3,172	May	910	+17	912	898	2,944	23,590
802	Jel	930	+15	932	921	1,866	17,481
249	Sep	949	+16	951	942	625	39,830
1,452	Dec	957	+13	964	950	762	18,933
442	May	875	+12	980	971	505	41,331
6,200	Tuta					6,883	154,423
hel)	■ C00	CA CSCE	(10 to	nnes; S	/tonne	e) .	
4,552	May	1229	-1	1244	1227	4,731	31,714
3,323	Jul	1253	-2	1272	1250	2,307	23,670
8,197	Sep	1279	+2	1291	12/7	408	13,417
6,336	Dec	1308	-3	1322	1308	822	13,652
410	Mar	1337	-3	1347	1347	244	7,858
483	May	1358	-3	1360	1360	26	4,502
3,340	Total					8,821	96,832
)es	E COC	OA (ICCC	(SDR	'a/tonn	ð		

ler 22 elly			Price 905-80			13.12
COF	FEE LCE	Ø/tonn	ME)			
No.	2043	-32	2070	2035	145	1.5
lay	1910	· -7	1910	1895	1,399	14,80
10	1851	-10	1850	1838	351	5.3
ep .	1830	-11	1830	1815	221	3,5
OV	1808	6	1010	1800	51	1,80
	1786	-9	1768	1788	35	90
otel					2,168	
COP	EE C' C	SCE (2	7,500tb	e; cen	(sdl\s)	

r 22			Price		Prev.	day
COF	FEE (ICC	(US c	епть/ра	ound)		
					6,132	29,886
7	115.45	-0.60	-	-	35	134
		+0.05	-	-	0	496
C			117.50	116,00	38	
•	117.45					
			119.40			
7	119.20		120.50			
COI	作医で	CSCE (	37,500	be; cen	(schl\sch	
del						28,19
	1766	-9	1768	1788	35	930
×	1808	-6	1010	1800		

Comp. di 15 day s	nby		. 108.25 . 105.36		10	
No7	PREMOU	M RAY	sug/	R LCE	(cents	
lley .	11.90	_	_	-	-	
	11.98	-	_	_	_	
Oct	11.90	-	_	_	_	
Total .					-	
m WH	TE SUGA	R LCE	(\$/tone	10)		_
May.	395.2	+1.4	397.3	393.5	885	1
Aug	373.2	~0.1	374.0	372.2	400	
Oct	337.0	+0.5	337.3	335.6	152	,



85.05 +0.36 85.10 84.28 4.511 19.827 86.03 +0.48 85.05 85.20 1,081 12,231 81.98 -0.17 82.00 61,70 251 2,530 80.01 +0.01 80.04 79.90 884 18,186 80.71 +0.07 80.08 80.85 37 2,069 81.25 ~0.03 81.15 81.10 32 860 132.75 +0.40 133.00 128.50 131.80 +0.50 131.00 128.10 129.50 +0.40 129.50 128.00 125.90 +0.10 126.45 128.40 124.90 +0.25 124.00 124.90 126.00 +0.25 - -106 4,375 79 2,383 11 891 06 2,732 4 164

	VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in ameans.
Į	INDICES

A ABUTEAS	(Base: 18	9/31=100)	
Mar 23 2136.8	2141.8	2140.8	year ag 2312.1
CAB Parte			
Mar 22 252,08 ■ G\$CI Spo	250.67	month ago 248.40 70=100)	234.62
Mer 22 207.95	Mar 21 205.32	month ago 198.23	yeer ag 179.90

#### MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000ths; cents/ths)

		Day's	Web	Low	Vel	Open
Apr		-1.150			3.064	25,015
Jes		-0.500				29,808
Ace		-0.425				
Dct		-0.400			1.074	
Dec		-0.300				7.724
Feb		-0.200				3,348
Total						93,358
ᄪᄱ	E HOGS	CME (	40,0000	os; cent		
Ape	51.075	+0.300	51,150	50,350	3,891	10,632
<del>ينيار</del>	55.525	-	55,900	55,250	5,812	15,923
Jul	53,125	+0.200	53,200	52,800	883	4,125
Ang	50.375	+0.650	50,400	49.800	793	5,059
Oct	45.675	+0.200	46.000	45.550	387	2,990
Dec	47.000	+0.200	47,000	46.800	104	1,646
Fotal					11,912	41,230
PO	RK BEJ	JES CA	/E (40,0	000ths;	cents/it	) <u> </u>
U4r	70.350	-0.400	70,700	69.750	86	201
May	69.950	-	70,800	68,990	1,516	6,445
)at	67.875	-	68,150	66.700	649	2,728
وما	64.050	+0.275	65.000	64.050	162	766
Feb	62,675	+0.475	63,275	53.275	11	121
lle.	BH DED	A COE			-	

### LONDON TRADED OPTIONS

Strike price \$ tonne	CI	de	Pi	ris —
M ALUMENTUM (98.7%) LME	Арг	Jun	Арг	Jun
1600	55	90		20
1700		36	48	64
1800		10	146	137
■ COPPER				
(Grade A) LME	Арг	ويناف	Арг	Jun
2400	133	136		21
2500		72	10	55
2600		31	70	114
M COFFEE LCE	May	أتناق	May	Jul
1850	99	135	39	134
1900	71	115	61	164
1950	49	98	89	107
E COCCOA LCE	May	Jul	May	Jul
875	40	71	5	12
900	22	55	12	25
925	11	41	26	36
BRENT CRUDE PE	May	Jun	May	Jun
1850	-	73	•	-
1900	85	51	37	_
1950	60	-	50	-
LONDON SPO				S

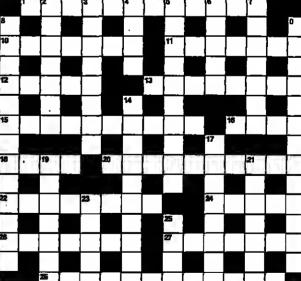
LONDON SPO	T MARKE	TS			
E CRUDE OIL FOB (per bentel) +or-					
Dubel Brent Blend (deted) Brent Blend (May) W.T.I.	\$17.51-7.58x \$21.38-1.40 \$19.72-9.75 \$21.82-1.90x	+0.270			
M OIL PRODUCTS NWE	prompt delivery C	F (mme)			
Premium Gasoline Gas Oli Meany Fuel Oil Naphtha Jet tuel Diesel Peroleum Agus. Tel. Londo B O'THER	\$201-203 \$197-199 \$104-108 \$180-182 \$225-227 \$197-199 or (0171) 359 8792	-1 +3 -3 -1			
Gold (per troy oz) § Silver (per troy oz) § Platinum (per troy oz.) Palladium (per troy oz.)	\$397.90 582.60c \$412.15 \$140.50	+0.20 +3.00 -0.10 +1.25			

Silver (per troy cz)ě	562,500	+3.00
Platinum (per troy oz.)	\$412.15	-0.10
Palladium (per troy oz.)	\$140.50	+1.25
Copper	123.Dc	
Lead (US prod.)	45.00c	
Tin (Kuala Lumour)	15.80r	-0.15
Tin (New York)	301,5	+4.0
Cattle (Eve weight)†	94.38p	-25.98°
Sheep (Ive weight)† •	163.54p	+15.96
Pigs (live weight)†	110.29p	+3.85*
Lon. day sugar (raw)	\$320.6	-24
Lon, day suger (wte)	\$403.5	-1.0
Barley (Eng. feed)	113.25	
Maize (US No3 Yellow)	145.5z	
Wheat (US Dark North)	Unq.	
Rubber (Apr)♥	104.00p	-0.50
Rubber (May)♥	103.250	-0.50
Rubber (KL RSS No1)	384.50m	-4.50

\$735.0v \$530.0z 474.0 209.0v 83.65 442p

### **CROSSWORD**

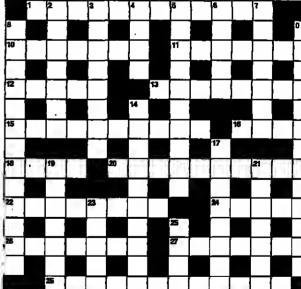
No.9,028 Set by HIGHLANDER



12 Irritated feeling because card game hasn't finished (5)
13 One is able this way to provide flowering plant (8)
15 Painful ailment – gossip said it is contracted by male (10)
16 Wear eway with fighting (4)
18 Proceed very slowly from Winchester to Oxford (4)

26 Moved my paint drums (7) 27 Rubbish, I said, bathe later (7) 26 Moved my paint drums (7)
27 Rubbish, I said, bathe later (7)
28 Let it stand – I'm involved in
26 Moved my paint drums (7)
27 Rubbish, I said, bathe later (7)
28 Crop left to creep (5)
29 Gamble on a second in Greek

olution to yesterday's prize puzzle on Tuesday April 9.



with Botham off 2 inclined to be old and cold, or injured (4.2.5)

10 Comes round, note, before

3 Star supports natural lighting 4 Gaelic poetry lacks leading

character (4)
5 Cricket side eppearing on grounds every so often (2.8)
6 Brother Scot – called this? (5) Wild hit over the river there

once (7)
8 For helping with blend of tea that's in the right ratio (13)
9 Day and night treks arranged – traditionally popular with shepherds (3,3,2,5) 20 Carefree cousin upset one worker (10) where things can be seen (10)

worker (10)

22 No way out for those voting against the point (2,5)

24 On the coast of Coromandel high water covers national capital (5)

25 No way out for those voting against the point (2,5)

26 Coromandel high water covers national capital (5)

27 Each listener on Sunday is

Solution to Saturday's prize puzzle on Saturday April (

#### INTERNATIONAL CAPITAL MARKETS

### State election results lift bund prices

By Antonia Sharpe in London and Lisa Bransten in New York

German government bonds surged vesterday on the back of what the market regarded as positive results in three state elections. The governing CDU and FDP coalition parties did better than expected while the main opposition SPD party suffered significant losses after attempting to exploit fears over European economic and

monetary union. Ms Phyllis Reed, European bond strategist at BZW, said although the results meant that Emu was now more likely to bappen in 1999 - an event which has been unnerving the market in recent months - an SPD/Green government was less likely. "And the market fears the latter more." she said.

Mr Graham McDevitt, senior bond strategist at Paribas Capital Markets, said the election result was the necessary trigger for bunds to rebound after the losses suffered in recent weeks. "Bunds were primed to move higher," be said

Bunds were also lifted by a picture of steady inflation in Germany which fanned expec-

could cut official interest rates after its council meeting on Thursday. While many analysts believe that the Bundesbank will hold off until April or May, expectations of a rate cut this week are likely to grow in the run-up to Thursday's meeting.

Mr Stuart Thomson, interna-

tional economist at Nikko Europe, expects the Bundesbank to cut the discount rate hy 50 basis points to 25 per cent on Thursday, bringing the rate down to the previous postwar low set in 1987. He also expects 50 basis points off the Lombard rate to 4.5 per cent and the minimum repo rate to be fixed 20 basis points lower at a new low of 3.10 per cent. On Liffe, the June bund con-

tract rose 0.87 to 96.52 in heavy volume of 146,304 contracts. However, the spread over US Treasuries was little changed at about 6 basis points. Mr McDevitt said the bund

contract could reach 97% this week but he advised traders to take profits before Tbursday since a decision by the Bundesbank not to cut rates could prompt a temporary fall. He also forecast that the spread over Treasuries could

widen to as much as 20 basis points in the near term as the US market sprinted ahead but thereafter he expected bunds to trade through Treasuries.

■ Continued concerns about the impact of mad cow disease the UK government's finances restricted gains in the UK government bond market. On Liffe, the June long gilt contract rose % to 105% but the

#### GOVERNMENT **BONDS**

spread over bunds widened to 180 basis points, from 170 basis points before the BSE scare broke late last week.
Mr Andrew Roberts, gilts

analyst at UBS, said as long as BSE remained an issue for tha market, both in terms of a higher UK PSBR and trade deficit, it would be difficult for gilts to make up the under-

performance. However, he did not believe that the BSE issue would cause serious problems for tomorrow's £3hn auction of 7 per cent stock due 2001 since there was widespread demand for sbort-dated paper.

He said five-year gilts were looking cheap against their German and French counterparts but added that the 140 days of accrued income on the stock could put off some institutional investors.

■ French government bonds recovered from their weakness late last week as tradars sought to profit from what they perceived to be an oversold situation. The market's strength caused the spread over Germany to narrow to about 21 basis points from close to 30 points late last week. On Matif, the June 10year notional government bond

■ Technical buying helped US Treasury bonds reverse some of the losses made over the past two weeks in early trading, despite data showing that bome huying picked up in Feb-

contract rose 1.04 to 121.60.

ruary. Near midday, tha benchmark 30-year Treasury was up & at 921/2 to yield 6.571 per cent, the lowest yield since the day before the market was jolted by surprisingly strong employment figures that suggested the economy was picking up

more quickly that most analysts believed. At the short end of the maturity spectrum, the two-year note was 1/4 stronger at 99, yielding 5.660 per cent. Mr Kevin Sluder, senior

fixed-income trader at First

Chicago NBD, said that

strength in German bunds had helped the US markets. Later, when the price of the June long bond future climbed over 112 - which was considered a technical resistance level - there was a wave of buying that the market managed to hold through the

Mr Sluder added, however,

that most of the activity he had seen was short-term trading buys, not longer-term commitments to the market, so he did not see yesterday's uptick as the end of the bear market. Bonds managed to shrug off figures showing that existing home sales rose 6.5 per cent to seasonally adjusted rate of 3.96m in January, the first increase since September of last year. Mr Elliott Platt of Donaldson Lufkin & Jenrette attributed the increase to a rebound from January weakness and fears that mortgage

### Five-year Disney paper outperforms longer tranche

By Samer Iskandar

The two-tranche global deal launched on Friday by CSFB and Merrill Lynch on behalf of the Walt Disney Company was still the subject of most discus-sion in trading rooms yesterday as the week got off to a slow start.

Syndicate managers described it as a "total success" and a "blow-ont". In the afternoon, the spreads over US Treasuries had tightened by 2 hasis points and I basis point to 33 and 46 points respectively for the five-year and the 10year maturities.

Demand from Europe was strong for tha shorter-dated bonds, while the 10-year paper was mainly targeted at US investors. This made observers predict that "the five-year paper has started - and will probably continue ~ to outper-form the 10-year".

However, a faw syndicate managers complained about the size increase which, some said, made clients withdraw

NEW ZEALAND DOLLARS

World Bank

orders. The amount was ini- the peseta market to obtain fintially set at \$1.5bn, hut was subsequently increased to \$2bn, and then to \$2.6bn a few hours after the announcement.

The sterling market saw only one transaction, a retail targeted three-year issue by LB Schleswig-Holstein, paying a 7¼ per cent coupon.

#### INTERNATIONAL BONDS

The lead manager, HSBC Markets, saw strong demand from Europe, where the issuer is seen as "an appealing retail nama", but expects it will take some time before the whole amount filters through to final investors.

The Republic of Argentina took heart from the success of its recent issue in D-Marks and tapped the European market again yesterday, with a fiveyear deal in Austrian schil-

lings.
The Nordic Investment Bank seized a swap opportunity in

**NEW INTERNATIONAL BOND ISSUES** 

ancing at a "very attractive sub-Libor dollar floating rate". Despite the long maturity, retail demand was strong due to the particular structure. said BNP, joint book-runner for the deal with BNA.

The coupon is fixed at 9.60 per cent until 2001, when the paper is callable; it is then increased to 10.12 per cent for the remaining five years.

According to BNP, this struc-

ture allowed the issuer to offer a positive spread over Spanish bonos, whereas existing supra-national honds are currently yielding less than the equivalent government benchmarks. Elsewhare, the European Investment Bank offered L500bn of zero-coupon 10-year

bonds identical to, and fungible with, an existing issue. No large deals are expected in the near future, but favourable swap conditions should boost the primary market in Italian lire and Spanish pesetas in the next few weeks, syndi-

cate officials said.

### Indian stock markets see record foreign inflows

By Mark Nicholson in New Delhi

Resurgent foreign interest in India's stock markets prompted a record net monthly portfolio investment inflow of \$435m in February, according to Mr Pratip Kar, executive director of the Securities and Exchange Board of India

(SEBI), the market watchdog. Mr Kar said total net inflows since the stock markets were opened to investment by foreign institutions in 1993 had

now exceeded \$5hn. He added that net flows recorded so far this month had reached \$140m, continuing a

7,00 8,90 8,90 8,96 8,95 4,40 0,73 6,71

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- 47 & - 47 & - 47 & - 47 & - 58 & - 35 & - 30 & - 28 & -

201 201 201 201 201 201 201 14.44 | 14.44 | 14.44

8,50 8,37 5,95 6,50 0,30 8,37

eign institutional investors were behind the latest inflow,

which becan in December. The present rush is India's second peak of foreign interest since pioneering funds entered the market between November 1993 and October 1994, during which more than \$2.3bn was ploughed into Indian equities. January 1994 set a previous monthly record of \$389m

invested. Although there has never been a net monthly outflow of funds since 1993, foreign interest dwindled from November 1994 and monthly inflows hit a low of \$48m in November last

Mr Kar said new foreign

attracted by perceptions that the market was both historically cheap for India and rela-

tively so in Asia. The broad Indian market was trading at a prospectiva price-earnings ratio of around 10 late last year, and many foreign investors also took advantage of a weaker rupee earlier this year to buy into the

"We found a lot of new forelgn institutional investors who found new confidence in the Indian economy," Mr Kar told a Delhi business audience. He said total inflows for the fiscal year ending in April

The sharp rise in inflows has played a large part in both the recovery of the rupee and the rally in share prices over the past two months, lifting the 30share Bombay Stock Exchange Sensex index from less than

2,900 points to more than 3,250. Virtually all foreign institutions in Bombay have turned bullish on the market, with most forecasting it will stage a rally after the April-May general elections.

"We feel the Indian stock market has completed a major four-year correction and is poised for a bull run," ING Barings told clients this month. Mr Kar said both SEBI and

> 8.53 8.99 1.47 8.86 7.49 4.55 9.05 9.47 8.65 11.72 10.34 9.09 9.66 4.03

113% 1211/2 105% 104 1107/2 1403/3 1301/2 381/2 381/2 1361/2 1361/2 1361/2 1361/2 1361/2 1361/2

110% 119% 98% 101% 108% 141% 128 33 27% 115% 133 127%

number more than 20, were addressing foreign investors' main concerns about the Indian exchanges, namely the long and problematic settlement procedures, arduous and erratic share registration procedures and a high level of "had deliveries".

rates were about to rise.

He said the BSE had recently halved its settlement period to match the seven days offered by the rival National Stock Exchange. India's first auto mated and paperless share depositaries, could be in place by the end of this year, he said, and the SEBI has also demanded that all Indian exchanges complete moves to on-screen trading by June.

		4 1 22 3			0112	100020	
Borrower	Amount m.	Coupen %	Price	Maturity	Foes %	Spread bp	Book-runner
US DOLLARS Walt Disney Company Walt Disney Company Companhis Vale do Pio Doce(a) CS Pirst Boston(b)t: BNQ Banco de Gallcist;	1,3bn 1,3bn 300 250 200 200	6.375# 8.76# 10.00# (b1) 5.875 (c)	100.00R 99.855R 99.8772R 99.81 99.714R 100.00R	Mar 2001 Mar 2006 Apr 2004 Apr 1998 Apr 1999 Apr 1999	0.35R 0.50R 0.875R undject 0.1875R 0.75R	+47(5%%-06)	CSFB/Merrill Lynch CSFB/Merrill Lynch ) Chase/Chemical CS First Boston DKB Intil/Merrill Lynch SBC Warburg
D-MARKS North Rhine Westphalls(I)	500	5.75	101.512	May 2002	2.125		ABN Armo Hoare Govett
SWISS FRANCS Oest Kontrollbank(s) KfW International Finance(s) IBM Credit Corp(s)	500 150 150	4.25 4.00 3.50	102.75 102.75 102.40	Nov 2003 Nov 2002 Nov 1999	2.50 2.25 1.60	- :	SBC Warburg UBS Credit Suisse/Mentit Lynch
STERLING LB Schleswig-Holstein(s)	100	7.25	99.2215R	Nov 1999	0.1875R	+20(6%-99)	HSBC Markets
LIRE European Investment Stank(c)	500bn	zero	38-266R .	Feb 2006	0,50R	-	Caripio/Deutsche/JP Morgan
PESETAS Nordic investment Bank(e)	10bn	fe1)	101.325	Apr 2006	1.625	- : .	BNA/BNP España
AUSTRIAN SCHILLINGS Republic of Argentina(i)	750	9,00	99.50R	Apr 2001	0,625R	+372(514%-01)	Creditanstalt Inviment Bank

8.25 100.885 Apr'1989 1.50 Final terms, non-cellable unless stated. Yield apread (over relevant government bond) at launch supplied by lead manager. 2 Riceting-rate note. #Semi-annual coupon. Ft fixed re-offer price; fees shown at re-offer level, a) Puttable on 27/101 at 99.80%, b) Puttable in Apr 97 at 99.85%, b) 3-mth Libor +370b), d) Funglible with 1,000bn. e) Cellable on 25/4/01 at per. e1) 9.80% to 25/4/01 and 10.12% thereafter. f) Recommended re-offer, i) long 1st coupon. g) Short 1st coupon

strong huying	• —.				stly from			reach \$21		. April				s, which
WORLD BO	ND PRIC	ES												
BENCHMARK			IT BO	NOS			II BUND	FUTURES (	OPTIONS	(LIFTE) DM	250,000 pol	nts of 1009	6	
		Red		Day's	Waak	Month	Strike			u13			PUTS -	
1.4.5	Coupon	Date	Pros	change	Yield ago	200	9600	May	Jun			ay Ju		Sep
Australia Austria			05.7840 97.4200	-0.210 +0.550	8.89 6.48 6.64	8,09 6,43	9650	0.92 0.63	1,22 0.92		1,23 0,4 1,00 0.6			1,63
Belgum	7,000	05/06 1	01.3100	+0.430	8.81 6.89	6.66	9700	0.38	0.88	0.58	0.80 0.8	3 1.23	1.98	2.20
Conada " Denmark	8.000	03/06 1	07,4700 03,1500	+0,180 +0,560	7.64 7.77 7.54 7.69	7.09 7.34	EST ANT NO.	tal, Calls 1819	# PVI 177	73. Previous	cuy's open is	rt, Cells 206	1978 Puts 18	2312
France BTAN OAT			99.7500 04.4800	+0.510	6.62 6.70	5.55 6.56	Italy							
Germany Bund	6.000	02/06	87,0700	+0.660	6.41 6.55	6.14		MAL ITALU Lira 200m			P) FUTUR	E\$		
heland haly			99.9500 94.2600	+0.200	7.99 205 0.44+ 10.51	7.56 10.47	(Cirtz)	Open	Sett price		High	Low	Est. vol	Open int.
Japan No 129 No 182			16.6010 98.3320	-0.200 -0.210	1,90 1.81 3.23 3.20	1.97	Jun	108.85	108.97	+0.41	109.22	108.72	32086	50477
Netherlands	6 000	01/06	96.9400	+0.800	6.43 6.60	3.05 6.19	Sep		108.42	+0.41				258
Portugal Spain			13.5000 02.4100	+0.780	9.55 9.79 9.85 10.04	9,49 9.65	II ITALIA	N GOVT. B	чта) амо	FUTURES	OPTIONS	(LIFFE) Lira	200m 100	ths of 100%
Sweden	6.000	02/05	84.0820	-0.260	8.64 8.82	8.86	Strike		Jun CA	Se Se		h=1	PUTS -	Can
UK GMs	8 000 7.500	12/00 12/06	102-06 95-28	+1/32	7.43 7.45 809 212	8.92 7.67	10850		.87	2.5		Jun 1,40		Sep 2.63
100	9.000	10/08	106-06	+13/32	8.20 8.25	7.87	10900	1	1.60	2.3	2	1.63		2.90
US Treasury ?		02/06 02/26	95-11 92-13	+7/32 +16/32	6.26 6.40 6.58 5.69	6.65 2.10	10950 Est, vol. tot	tal, Calls 2106	1.36 1. Pura 1580	2.10 Previous de		1.89 Calle 55033	Print 48500	3.18
ECU (French Govt)		04/05 1		+1.130	7.12 7.29	a98					A n obon stra		100	
London closing "New Vi f Gross (newton) with		25 per cer	nt pavable t		helds. Local mor ents)	ket standard.	Spain							
Prices, US, UK in 18745					Source MMS	International	M NOTIO	NAL SPAN	SH BOND		(MEFF)	_		
US INTERES	RATES						h	Open	Sett price	_	High	Low	Est. vol	
Littest			Terrorer	BBIs and 8	and Vields		Jun	94.82	95.27	+0.88	95.40	94.62	60,134	41,550
	fine	month		5 21 1wa	year	599	UK							
Prame rate	? The	000000	• • • • •	512 Thre 500 Five	year	599	M NOTIO	NAL UK OI	LT FUTUR	ES (UFFE)	250,000 32	nds of 100	96	
Fed funds at Intervendon.	514 Sett	Abnor		521 ID:	year	6.26 6.53		Open	Sett price	-	High	Low	Est. vol	Open int.
							Mer Jun	105-11 104-24	105-07 105-08	+0-20 +0-13	106-07 105-12	105-11 104-12	128 41145	2932 112269
								GILT FUTUI						112208
							Strike			шs			PUTS	
							Price	May	Jun		Sep M	-		Sep
BOND FUTUI	RES AND	OPT	IONS				105	1-05 0-38	1-33 1-02		1-45 0-5 1-20 1-2			2-35 3-10
							107	0-19	0-42	0-44	-63 2-0	3 2-26	3-34	3-63
France							Est vol ro	tal. Calls 2562	Puts 2020.	Premous de	y's open int.,	Çata 30224	Puta 35399	
III NOTIONAL FREN	CH BOND F	UTURES	(MATIF) FE	500,000			Ecu							
Open	Sett pice	Change	High	Low	Est vol.	Open int,	ECU B	OND FUTU	RES (MATI	F) ECU100,	,000			
Jun 100.92	121 60	+1 04	121 60			138.093		Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep 119 70 Dec 118 54	120 40	+1.00 +1.00	120 28 118 54	119.7 118.5		3,892 623	nu	98.74	<b>89 60</b>	+1.08	89 60	88.74	1,891	8,427
E LONG TERM FRE	NCH BOND	OPTION	B (MATIF)											
Strike	CAL	LS			PUTS		US							
Price Ay	Ma Ma	y	מטל	Apr 0.02	May 0.19	Jun 0 40	a US TRU	EASURY BO	ענינים פואכ	RES (CBT)	\$100,000 3	2nde of 180	0%	
120 1	ъ .	:	2 16	0.03	0.32	0.64		Open	Latest	Change	High	LOW	Est. vol.	Open Int.
121 0 6			1 47	0 08	0.56	0 94	Jun Sep	111-27 111-14	112~25 112~09	+0-30 +0-30	112-27 112-09	111-25 111-11	163,420	358,327
122 01 123 01			0 04 0 54	0.74	1.07	:	Des	111-02	111-27	+1-00	111-27	111-02	52	16,725 3.153
Bast well state Cattle 200			CO CENTO CO	wn Inf. Call	5 164,332 Pure	178,994								
							Japan							
Germany		T WEE	n rees b		1000m of 200	•		NAL LONG Y100m 100			OVT. BON	D FUTURE	35	
M NOTIONAL GERA	Sett pace	Chance	High	MC-SULUCION	Est. vol			Open	Close	Change	High	Low	Est. vol	Open Int.
Jun 95 83	96.45	-080	96 60	95.70	152789	Open Int 229678	Jun	118 62		0.4.3	118.64	118.53	972	
Sep 95 35	95 60	+0.60	95.70	95.35	312	4250	· LIFFE AM	res also trade	ed on APT,	All Open into	ಚರ್ಚ ಭರ್ವ ಕೂ	for previous	day	
								_	_		_		_	
UK GILTS P	RICES			Section 1		_								
Notes	Ybeld .	PIECE E + 0	.52. dgd -1a	verk . Low		lotes Inf	field _ Red Price E ·		Linv		Notes 6	Yield	-w+ 3s	52 week
		, ILO L T	a - 1001					<u> </u>			,	() (A) TEA	- + A	High Low
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Euro (15/4pc 1996);	1717 5.97 090 568	101 21613	-1 106); 210;		1 7 pc 200811.		5.00 954	+십 101년		29C 103	[783} 3.1 {78.8} 3.1	38 369 1	784 +3 72½ +3	113 & 108 & 189 & 189 & 189 & 189 & 189 & 189 & 189 & 189 & 185 & 171 & 187 & 185 & 180 & 183 & 180 & 183 & 180 & 183 & 180 &
Convention 1000 1006 .	976 600	10213	-104kg	10213	as 74 pc 2006## as 8pc 2002 -6##		8.10 9753 8.17 9363	↓↓ 103↓ →3 104∰	3712 41	¥pc '04#‡	.#35.6 3. _69.5 3.	33 3.70 1	1315	1782 1644 1164 1094 1854 1712
11023 131600 199744 Econ (01-pc 1997	17.54 6.07 19.12 6.42		10513	1031 Ind	as 11 4pc 2003-7	982	755 11858	43 1257	118,1 21	zα '09	_7829 33	3 3.78 1	804 518	1874 1552
Treas City Top. 1995 \$2 Treas Silence 1917 \$2	6.95 637 849 643		101§		15 5°290 2007 \$\$ 55 13°290 2004-4		8.15 102}} 8.00131{} <sub>6</sub> d	ન્ડું 108}ું ન્યું 138}}	995 <sub>9</sub> 21	200 71 200 73	(74.6) 3.5 (89.2) 3.6	3 3.83	167 +4 137 +4	1674 1354 1734 1604 143 122 122, 1407 1464 1347
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FINANCIAL TIMES SURVEY

### PORTUGUESE BANKING AND FINANCE

### Maastricht target will be a tall order

The new Socialist government has made progress on the economy and Europe. But next year's budget may not be so easy. write David White and Peter Wise

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e officials said.

he most unusual remark at the last European Union summit - the one in Madrid which baptised the planned new currency the euro - came from Mr Antonio Guterres, the. Portuguese Socialist prime minister. In the same way that the New Testament declared that "Thou art Peter, and upon this rock I will bulld my church," he proposed the dictum: "Thou art euro, and upon this euro we will bulld Europe's future."

It was Mr Guterres's EU council debut. His half-serious contribution somehow set the tone of the meeting. But It might have seemed a little odd, coming from the leader of one of the countries generally considered least likely to qualify for the single currency when and if it is launched in 1999.

Portugal must still rank as an outsider in the single currency stakes, but the idea of its joining is no longer so prepos-terous. Three months after the Madrid summit, Mr António de Sousa, the central bank governor, says he is "more optimistic about Portugal being able to fulfil the Maastricht criteria". Inflation is now lower than Spain's or Italy's: interest budget results have been bet-. ter than planned.

honeymoon so far. A pact has been struck with employers and unions including woge guidelines. Inflation, which

was well into double figures at that level. They also doubt if the start of the decade, public debt will fall below 70 dropped to a 12-month rate of 2.5 per cent in January and February, the lowest in Portugal since the early 1960s. The government, with a minority in parliament, obtained passage for a tight budget with surprisingly little difficulty.

The October election, which ended a decade of centre-right leadership under Mr Anibal Cavaco Silva, resulted in a greater degree of political stability than was generally expected. The Socialists came within four seats of a majority - a potentially precarious position, with the only other pro-Maastricht party in parllament, the centre-right PSD, in disarray and in search of a new leader. But the government managed to strike a budget deal with the smaller conservative Popular party by making concessions on taxes at little cost to its revenue plans for this year.

Next year's budget could well be a bigger stumbling block for a government that has no guarantee of lasting out its full four-year term. But its security bas been somewhat strengthened by the victory of Mr Jorge Sampaio, the Socialist candidate, over Mr Cavaco Silva in the elections for president of the republic in January. In political crises, the presidency has important pow-

The challenge of meeting budget targets appears less daunting after last year, The tax collectors did better than expected. The public deficit, according to official figures. fell to 5.2 per cent of gross domestic product, enmpared rates have been falling faster; - with an initial forecast of 5.8 per cent. As a result, the 4.2 per cent target set for this year The Socialists, elected to appears more credible. The power again last October after a reduction has been achieved so an absence of 10 years, have far without any increase in tax generally enjoyed a sunny rates. But economists still rates. But economists still believe It will be a tall order for Portugal to reach the Maastricht target of 3 per cent in 1997 and hold its deficit below

per cent of GDP - above the Maastricht target of 60 per cent - in spite of revenues from privatisation, which will go

Plans for the remainder of this year involve sales of state boldings worth at least \$2.5bn, the biggest annual amount

logy has finally been overmainly towards reducing the since privatisation began under the last government.



io Guterres, celebrating the Socialist victory last October

These include a second global offering of shares in Portugal Telecom, the largest quoted company; about 40 per cent of the Petrogal oil group; a further tranche of Cimpur, the country's biggest cement producer, and the remaining 80 per cent of invistment bank Banco Fomento e Exterior. This will virtually complete plans for privatising the fluancial sector, nationalised 20 years ago, with a residual 13 per cent government stake in Banco Totta e Açores remaining to be sold. Only une banking group. Caixa Geral de Depositos, together with its insurance arm, would remain under state ownership.

The social part agreed in January sets a 4.5 per cent guideline for wage increases in

from 44 to 40 hours, in exchange for more flexible hours and job demarcations conditions that only the Communist-ted CGTP union tound unacceptable. Public sector wage increases were earlier set at 4.25 per cent. The Bank of Portugal is hopeful that consumer price increases can be kept to 3-3.5 per cool for the year, and that inflation psycho-

the private sector, and a step-d reduction in the working week

Interest-rate policy remains geared to keeping the escudo stable against the German mark and the currencies of Portugal's other main trading partners in the Ett. The Portuguese currency has been

remarkably steady in perent months. Proof of its resilience came with the Spanish general election this month; the markets' disappointment with the centre-right's narrow victory hir the poseta; but the escudo did not budge.

The "stable escudo" policy in force since the early 1990, ons. however, had its cost in terms of economic growth, Buentployment, which was 4.5 per cent four years ago, has risen to 7.2 per cent. Mr Daniel Bessa, who

resigned as economy minister last week, says the previous government engantteil a "nisnot following, or following only taken place since 1992, "So

here we are," he complains, "with a higher escudo than the one I would like to have."

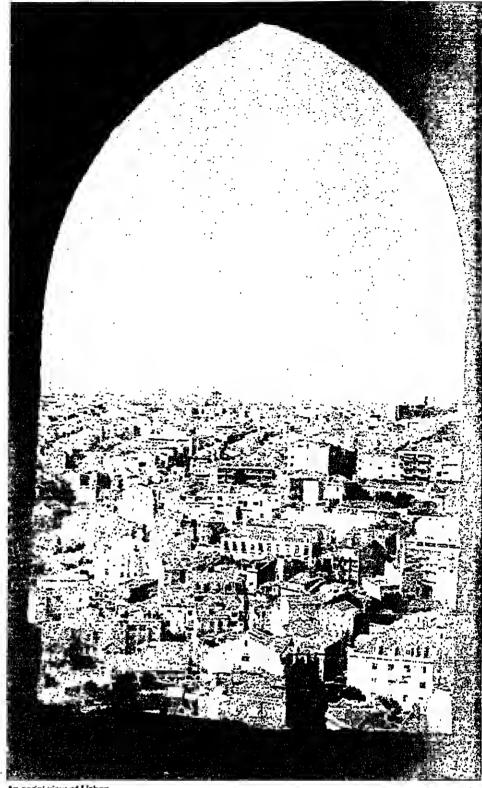
Competitiveness has been affected "European imports are increasing very quickly, mostly from Spain," he says. At the same time, Portuguese exporters in sectors such as clothung and sloves are facing problems in export markets. especially from Italian rivals. Everywhere we feel the effects of Italian devaluation." says Mr Bossa Companies are forced to export at very low margans, and at the same time are under financial pressure from relatively high interest rates. In textiles, which account for around 30 per cent of Portuguese exports and o quarter of the industrial workforce, the government is alarmed by EU moves to accelerate the lowering of barriers on Asian producers.

Economic growth this year is officially forecast at 2.5-3 per cent, after an estimated 2.5 per cent in 1995, although private sector economists put both figures slightly lower. Mr Bessa hopes that growth will be underninned by more foreign investment projects, such as Ford and Volkswagen's "people-carrier" joint Venture, which started production last year and which he reckons will alone contribute an increase of 0.9 percentage points to Portucal's GDP.

But he ailds "In my opinion. it will be very, very difficult to have a rate of growth above the European average," The only way Portugal con regain competitiveness he says, is by continuing to lower inflation and interest rates - unless it devalues, but that, Mr Bessa says, would be worse.

Trying to meet the criteria for European monetary union is the overriding priority - as much for the new government as it was for Mr Cavacu Silva's. It is a question not just of the curo, Mr Bessa says, but of power in Europe.

As the EU prepares to accommodate central and eastern European countries, Portusal is anxious that its voice from the other end of the continent - should be heard. "In a take" with its policy of either peripheral country like Poriucal, if we fall to meet the Moas-In part, the successive devalua- rricht criteria we will miss out tions of the peseta which have on much more than a single



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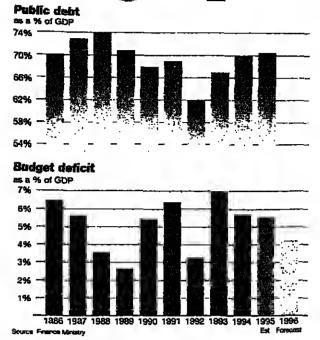
The launching
Corporate and Treasury bonds The launching of a special market for block trading of

The BVL-30 Index began being calculated continuously, and disclosed every minute:

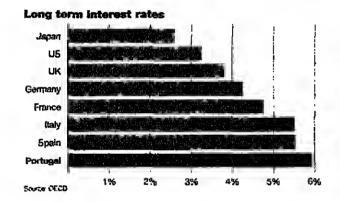
These reforms are changing the overall picture of the Portuguese capital markets, placing Lisbon among the most advanced stock exchanges in Europe.

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### Budget passes its first hurdle



	Overa	ill livi	ng costs*	
	Overall living costs	9	Overall living excluding ho	
1	Copenhagen	120	Copenhagen	126
2	Paris	113	Helsinki	114
3	Berlin	111	Vienna	108
4	Vienna	111	Berlin	107
5	Helsinki	109	Stockholm	105
6	London	107	Paris	105
7	Amsterdam	103	Brussels	100
8	Stockholm	103	Amsterdam	98
9	Brussels	100	Dublin	94
10	Rome	94	Rome	92
11	Dublin	92	London	69
12	Madrid	88	Madrid	85
13	LISBON	80	Athens	82
14	Athens	80	LISBON	77



The government has broadly lived up to its promises. But its goals may still be out of reach

Antônio Guterres, Portugal's socialist prime minister, undertook what critics said was an impossible task when his centre-left government assumed office last November. He promised a 1996 budget that - without raising taxes - would both increase social spending and cut the fiscal deficit to meet the convergence criteria for European monetary union. Even if such a budget could

be put together, detractors said, it would either divide the government or be rejected by parliament, where the ruling ocialists are four seats short of an overall majority and the opposition parties could not easily support the proposals without loss of face.

The scorn heaped on the government's amhitions clearly added piquancy to the satisfaction felt by Mr António Sousa Franco, the finance minister. when the bill was approved in parliament this month and he was able to wave before his opponents a copy of what they bad previously called "the

Not only did the government remain united behind the budget, which was approved after a deal on relatively minor taxation adjustments between the Socialists and the right-wing Popular party, but the proposals also won the support of business organisations as being close to the best compromise possible for the Portuguese economy.

Against the expectations of many, the government has delivered proposals that broadly live up to what it had promised. But achieving the goals set out in the budget, especially in a European context of decelerating economic growth, may prove more difficult - to the extent that some analysts are already beginning to use the word "impossible"

Success in attaining the budget's objectives largely depends on two central issues: the strength of economic growth and the government's ability to

Economic outlook (per	centag	e grow	rth)		
	Finance 1995	Ministry 1998	OECD 1996		
GDP growth	2.5	2.75	3.2		
Private consumption	1.7	2.0	1.9		
Public consumption	2.5	20 20	1:5		
Gross fixed capital investment	6.4	6.5	8.0		
Exports	12.5	11.6	8.9		
Imports	12.2	10.7	7,3		
Current account (% of GDP)	n.a.	-2.0	-0.1		
Public sector balance (% of GDP)	-5.2	-4.2	I⊸4.3		

increase fiscal revenue by clamping down on tax evasion and fraud. Faltering progress on either front could lead to a budgetary overrun, weakening the minority government's political position and threatening Portugal's ability to meet the Emu criteria

Inflation has fallen to lts lowest level from more than 30 years, reaching a year-on-year rate of 2.5 per cent in February. But Portugal currently fails to meet any of the other Emu targets for public debt,

#### Public sector companies are reducing their workforces

the budget deficit or interest rates on government bonds. Some economists believe it would be more realistic for the country to contemplate joining Emu at a later stage. But Mr Guterres' government remains determined to secure Portugal a place among the first group of countries to adopt a single European currency.

The Socialists believe the fiscal restraint required to meet the criteria makes sound economic sense for Portugal and should be implemented regardless of Emu. Mr Ernáni Lopes, an independent ecocomist and former finance minister. agrees. "Meeting the targets implies inevitable social and economic costs," in terms of a higher unemployment and company failures, he says. But if Portugal puts off acting now, we will have to pay a much higher cost in the

One of the most painful costs could be rising unemployment. particularly as Portuguese industry has to restructure to

improve competitivenesa - a process that will involve a substantial level of company sector companies are reducing their workforces. However, growth is forecast to be sufficiently strong this year to keep the jobless rate stable at about the 1995 level of 7.2 per

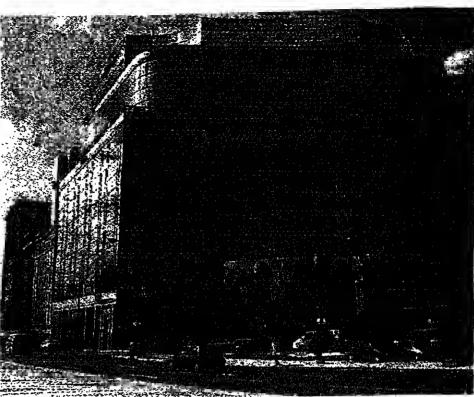
The government also fears tbat failure to take part in Emu would leave Portugal isolated on the periphery of Europe, with little influence over EU policy. "If we fail to meet the Maastricht targets, we will miss out on much more than a singla currency," says Mr Daniel Bessa, the former economy minister. "It is also a question of status and power within Europe. If we delay joining. Portugal will be put aside from the process of European decision-making."

Mr Sousa Franco has targeted a reduction in the budget deficit to 4.2 per cent of GDP in 1996 from 5.2 per cent last year. This is consistent with Portu-gal's plans to meet the Emu targets, which require a deficit of 3 per cent of GDP at the end of 1997. But it will not be easy to achieve

"We got only have to attain deficit of 3 per cent of GDP. but also maintain that level in the future," says Mr Miguel Namorado Rosa, an economist with Banco Comercial Portugues. 'It is oot clear that such a figure could be sustained."

The deficit reduction is to be achieved despite an increase in social spending to 47.3 per cent of total expenditure this year from 45.6 per cent in 1995. A proposal to spend Es840bn on education - 12 per cent more than in 1995 - is the biggest planned increase.

Spending cuts are to be made in the operating budgets of several ministries, including



defence, foreign affairs and justice. But the deficit is largely he reduced through increased tax revenue, which is forecast to grow by 7.9 per cent this year to Es5,338bn. The govarnment is placing its confidence largely in stron ger economic growth, which would increase tax revenue, as well as more efficient tax collection. It forecasts GDP growth of 2.5-3 per cent in 1996. up from unofficial estimates of below 2.5 per cent in 1995. It

GDP (1990 = Es9,585bn)

Private consumption

Public consumption

Unemployment rate (%)

Inflation rate (%) :[EU inflation rate

scudo/DM

Escudo/US\$

[GDP: European Union

Exports of goods and service

mports of goods and services

Current account (in GDP %)

(billions of escudos

which is mostly to be spent on transport infrastructure. Mr António de 5ousa, governor of the Bank of Portugal, considers that foreign

several large investment projects which are nearing full production capacity in 1996 will support growth in Portugal, despite the forecast slowdown in Europe as whole. Mr Bessa says sales by AutoEuropa, a car plant jointly owned by Ford and Volkswagen and the biggest aims to stimulate growth by foreign investment ever made increasing state investment by 20 per cent to Es397bo in 1996, in Portugal, will alone account for 0.9 percentage points of

2.3

3.2 2.5

2.1 6.4

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GDP growth this year Another big project for which there are high expecta-. tions is Expo 98, a world fair to be held in Lisbon. The 1998 fair is also acting as a catalyst for a large-scale commercial real estate development. A university study estimates the project. could create as many as 156,000 jobs, although not all would be permanent. That is more jobs-than would be created by 50 AutoEuropa plants and is seen, almost unachievable objective.

hy many economists as an-The word they are using, in fact, is impossible. Main macroeconomic indicators (year-on-year change) 1995 1993 2.8 -1.2 1.0 -0.4 28 26 0.0 1.4 1.2 .1.6 -0.3 -1,5 2.0 2.0 42. 6:0. 7.0 -12.0 11.0 9,4 8,9 8.0 -4.8 9.0 6.1 . 7.O 6.6 5.5

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and is largely paid by a

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Tax evasion: by Peter Wise

### Certain sins of omission

A clampdown by the finance minister has a target of lifting revenue by 7.9%

Nothing in this world can be said to be certain except death and taxes, according to Benjamin Franklin, the 18th century American diplomat and scientist. What remains far from clear in Portugal is how to make companies and individuals pay the taxes that they should.

Evasion is so rife that, according to their tax declarations, the average self-employed doctor or lawyer in Portugal earns less than a waltresa or a construction worker. Almost 70 per cent of companies declare a loss and

pay no taxes at all. Close to 90 per cent of total value added tax revenue comes from the pockets of only 300 big companies. The parallel economy, where no receipts are written and few questions asked, is estimated to represent 15 per cent of gross domestic product.

A clampdown on tax evasion

and fraud is one of the main weapons that Mr António Sousa Franco, the finance minister, intends to wield in an effort to lift total tax revenue by 7.9 per cent this year to

Companies suspected of under-declaring will be obliged to pay taxes on the earnings for businesses of a similar size in the same sector

Es5,338bn, without increasing tax rates. He is also counting on the effect of stronger economic growth.

Es4bn this year to fight tax evasion and hopes to recoup the equivalent of 2 per cent of GDP, about Es300bn, in lost tax revenue in three years. Improved efficiency in tax collecting is forecast to bring in an extra Ea82.3bn in revenue this year, more than half coming from the recovery

of outstanding debts. Independent tax specialists say these are optimistic targets.

Taxing companies and individuals on their imputed earnings is the most aggressive measure planned. Companies suspected of under-declaring will be obliged to pay taxes on the average earnings for businesses of a similar size in the same sector. Self-employed architects or accountants who declare an income lower than the minimum national wage, which is less than \$250 a month. could be taxed at average rate of their peers.

Tax consultants believe such initiatives need to be backed up by less visible but ultimately more effective measures. "The real answer to the problem lies in providing tax officers with better training in auditing techniques and raising the frequency and quality of field inspections," sava Mr Carlos Loureiro, a Lishon-based partner with Arthur Andersen. "Improving computer systems is also critical. Portugal still does not have cross-checking between corporate tax and VAT payments."

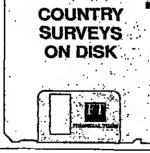
Yet Portugal does have some highly reficed tax planning facilities, such as the International Business Centre In Madeira, that operates offshore financial and service centres as well as an industrial free-trade zone and an international shipping register. But specialists agree there is ample room for improvement

Because of the high level of evasion by the self-employed. wage earners, whose tax payments are usually deducted at source, carry a heavy burden, accounting for most of

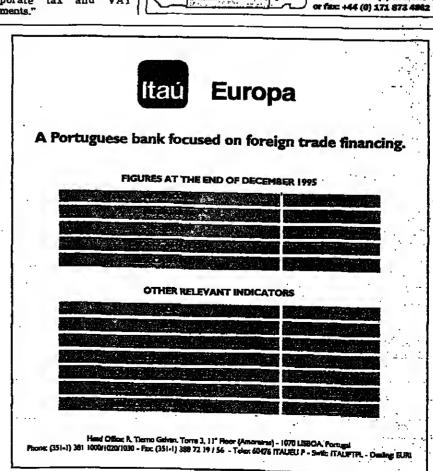
in national tax collecting. tbe Es997bn that the state

handful of big companies. The government now hopes to lighten the tax burden on wage earners who, it

recognises, have suffered in the past because tax revenue has mainly been increased at the expense of those who are paying already. "To squeeze salaried employees any further would be to kill the goose that lays the golden egg," says Mr Loureiro. "It would only lead to more evasion."



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Banking: by Peter Wise

### The bigger, the better

A takeover wave has been spurred by the need to compete in the global market

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A Lisbon bank president suns up the motivation behind takeovers that have reshaped Portuguese banking over the past year in a single phrase: "All of Portugal's banks put together do not add up to a big Spanish

The drive for greater dimenstop to compete in an increasingly global market led to three aggressive acquisitions by Portuguese banks last year. involving a total expenditure of Es472.7bn. At least one other purchase of a similar scale is imminent.

Banco Comercial Português. then the fifth largest bank, and Império, the biggest insurance company, made a successful Es308bn bid for 100 per cent of Banco Português do Atlántico, also paid Es11.6bn for control of União de Bancos Portugueses, a small retail bank that belonged to the BPA group, as part of the takeover.

In a separate acquisition, Mr. António Champalimaud, a 77vear-old industrialist and Portugal's richest individual, paid Es153bn for the 50 per cent of Banco Totta e Açores, the third largest bank, which was previously held by Banco Español de Crédito, the Spanish bank. This rapld process of consoli-

dation has extended the dominion of Portugal's three biggest banks to about two-thirds of. the country's total assets from 40 per cent previously. The top five banks now control almost 80 per cent of total assets compared with 55 per cent in 1994. In less than a year, Portugal has reached a level of banking concentration similar to that in other smaller European countries such as Austria, Belgium. Denmark and Netherlands in a wave of take-

overs that is not yet over. Concentration that enables lanks to achieve critical mass and reduce costs is an important issue for small countries like Portugal," says Mr Artur-Silva Santos, chairman of Banco Portugues de Investimento, which is seeking to ness results because Portu-

double its own assets by buy-ing Banco Fomento e Exterior. Portugal's fifth largest bank. BPI's original Es152bn bid

for state-controlled BFE was rejected by the guvernment in February. But the bank may make another offer when BFE is privatised by competitive bidding shortly in n sale expecied to complete the first stage of consolidation among Portugal's bigger financial groups.

Expansion by Portuguese banks is aimed more at defend ing their own market from inroads by bigger foreign groups withto a single European financial market than at attempting to compete in interwill always remain relatively minor players.

guese banks rely more heavily on interest income - 77 per cent of total income in 1994 than most of their European cuunterparts. Banks, which total caratalisation of the Lisbon stock market, bave underperformed the market by 21 per cent over the past four

Due to weaker profits, banks as a whole have moved from trading at a 10 per cent premium to the market in 1990 to a current discount of about 30 per cent based on historic carnings. Banks' net profits grew by an average of about 15 per cent in 1995 compared with 1994, buoyed largely by increased incume from bond

The	banks	before	and	after	consolidation
		entage s			

Curren	ıt	Befora e	Befora end-1994			
CGD	24	CGO	24			
BCP/BPA	20	BPA	15			
BPSM/BTA	17	BTA	12			
BES	10	BES	9			
BFE	6	BFE	7			
· BPI	4	BPSM	6			
Mello	4	BPI	5			
Others	15	Others	14			

Mr Carlos Tavares, president of Banco Naciunal Ultramarino, points out that even if all Portuguesc banks were to merge into one, such a group would remain less than half the size of Deutschebank or Crédit Lyonnais.

"A desire to compete in international markets is not a convincing reason for the increasing dimension of Portuguese banks," he says in a recent report. "A more cogent argument is the need to expand their power in the domestic market to bar entry to foreign competitors as legal barriers come down."

Banks are consolidating in a climate of increasingly tougher competition that has resulted in a sharp fall in net interest marcins. - the difference between the rates at which banks fund themseives and lend to customers - from 5.6 per cent in 1990 to about 3 per cent today.

This has undermined busi-

A combination of several factors bas fuelled competition. Nationalisation after the 1974 revolution placed almost 90 per cuot of the financial sector under state control. A privatisation programme, begun in 1949, has since reduced state ownership to 38 per cent and it

will fall further as the few

remaining sell-offs planned by

the government are completed

this year. The sector, now dominated privately-owned banks Intrinsically more inclined to compete, has also been freed of many regulatory restrictions. providing banks with the freedom to exercise more aggressive instincts.

New foreign banks began cautiously moving onto the scene from 1985, but they have been arriving at a faster rate in recent years. They have tried to make up for what they lack in branch networks and franchises with competitive products and forceful marketing, further inflaming

At the end of 1994, foreign banks accounted for 9 per cent of domestic credit and total assets, 8 per cent of branches, 6

per cent of total staff and 5 per

cent of total deposits. "Foreign banks have a small but growing share of the mar-ket," say Ms Karen Bradtey and Mr Christopher Mallin, analysis with ING Baring Securities in London. "Their relatively low share of total deposits indicates the difficulties they have faced in capturing market share and also reflects the fact that the majority of their business is in the wholesale rather than the retail seg-

ment of the market." As the impact of stronger competition eases, banks appear to be "heading out of the storm," according to a recent report by Ms Bradley and Mr Mallin, "The operating environment will remain difficult ... but the pace of margin crosion will slow, and loan demand and asset quality are expected to improve over the next two years as the economy recovers," they say.

Recent takeovers have left banks that are not among the top three trailing considerably behind in terms of asset size. Banco Espirito Santo, for example, is now the fourth largest group but has a market share that is only half that of the second largest group, BCP.

However, BES has nn plans to grow through acquisitions and believes that a niche strategy based on developing its existing customer have is the best way forward.

"Our strategy is to approach the clients we already have as depositors with new products. is not necessary for us to buy a new bank, or buy new branches from another bank or launch a massive marketing campaign," says Mr Manuel Villas-Boas, a director of Espírito Santo Financial Hold-

The ellents are already there. It's just a question of adjusting our strategy to achieve a greater emphasis on retail products. This is why we feel that organic growth is the best way for the group to expand at this stage. We do not need another bank or another company to gain access to

COMPANY PROFILE

Banco Comercial Português

### Behind the bland exterior

Ten years ago, it was gelling ready to open its first two hank's founders had chosen was as bland and

unadventurous as It could be. But Banco Comercial Português bas proved to be anything but bland and unadventurous. By reoutation It has become the most ambitious and best-managed

of Portugal's banks. In its first decade it is already Portugal's largest private sector banking group. By stock market value it is the country's second-listed concern after the partlyprivatised telephone company Portugal Telecom. An issue of American depositary receipts in 1992 made it the first Portnguese group traded outside the country.

BCP has led in innovation, for instance with Portugal's first stand-alone telephone banking operation. It built up its market by segments. starting with bigb-incume individual clients and medium-sized companies, "Its obliosophy is that of a big house with a small-house attitude," says Mr Jorge Jardim Goncalves, the chairman.

lo the Portuguese banking sector, the group is now second in size only to the state-owned Caixa Geral de Depósitos. It can claim to be the biggest force in asset management and also in insurance, where its subsidiaries together control

about one sixth of the market. It leapt to the top rankings year ago when it succeeded. at its second altempt and against stroog opposition, in taking over what was then Portugal's number two bank, Banco Português do Atlantico. In one move, it more than doubled its share of the Portuguese banking markel from 9 per cent to about 19-20 per cent.

By that time it already ranked number five in the sector. It began from scratch in 1985, one of a few new banks set up to take advantage of liberallsation and Portugal's entry halo the European Community. With

just over 200 initial sharebolders, it was free of the legary of bad debts, heavy structures and mefficiencies of the traditional big Portuguese banks, all of which were nationalised in the aftermath of the 1974 revolution and were then still under state ownership.

BCP's potential as a leading oational bank became clear in the late 1980s, says Mr Jardim Gonçalves. That was when it launched a separate branch network, under the name NovaRede, aimed at middle income customers and based on low operating costs. But in the early 1990s, he says, it realised that organic growth alone would not be enough to enable it to compete with the bigger groups. Privatisation of the

> begun; it needed to buy. In early 1994 it made its first bid. for Banco Pinto e Sotto Mayor, then ranked number six. But the government rejected BCP's offer as 100 low, BPSM came instead to be the centre of the financial empire rebuilt by Mr António Champalimand. who had controlled it during the dictatorship preceding Portugal's 1974 revolution.

state banks bad already

BCP then fixed its sights on Banco Portugues do Atiantico, the large Opurto-based bank where Mr Jordim Gonçalves had spent eight years as chairman. The government began privatising BPA in 1990, in a plan to reduce the state's holding by stages. After the second stage was announced in 1992, a group of core shareholders ioined forces to keep control in Portuguese hands. By the next year, these shareholders. known as the Northern Group or Patriotic Front, had built up a 27 per cent holding, the

In 1994, BCP launched the battle for BPA in the country's first hostile takeover bld. offering Es132bn for a controlling 40 per cent stake. But the plan was blocked by the government. But in January last year,

BCP came back, making a

largest block of shares in the

joint bid with the Imperio insurance group for 100 per cent of BPA, including the government's remaining 24.5 per cent stake. The takeover, worth over Es300hn, went ahead in March. To counter it, the core shareholders would also bave had to bid for 100 per cent, and were in no position to do so. Led by the Sonae group, they are still pressing a case against the handling of the sale, argutog

that the authorities acted

illegally. Some analysts have suggested BCP's rationale for acquiring the larger bank may have been partly to defend itself against the risk of being taken over. But Mr Jardim Goncalves says there was never any danger. Its largest shareholder, since 1993, is Spain's Banco Central Hispanoamericano (BCH). with 20 per cent, but voting rights are limited to 10 per

#### Was the price - when margins were shrinking too high?

brushes aside the question whether this restriction might conflict with EU norms. "They are the statutes of the bank," he inststs. Sharebolding partners are also involved in joint ventures with BCP. These

cent. Mr Jardim Gonçaives

include joint ownership of the Banif private bank with BCH and a French tie-up with Banco Popular Español, Mr Jardim Gooçalves has a firm policy of relying on partnerships for any foreign initiatives. Otherwise, be says, foreign operations are "a big risk".

BCP's policy for BPA. to hich it now bolds just over 50 per cent, has been to keep its separate retail network -"a good brand, extremely loval staff, and extremely loyal customers," says the BCP chairman - bnt to undertake "a real merger at corporate centre ievel", as well as combining the two

computer systems. The expanded branch network is used for "cross-selling" of products such as insurance

and investment funds. "In management terms, it has not been difficult." Mr. Jardim Conçaives maintaios. even though BPA's tradition as a universal bank contrasts with the market segmentation approach followed by BCP. -16 anyone can really digest BPA. it is probably them." says one Lisbon banker.

BCP's reputation among Portuguese banks remains high. It is one of the few European banks to have 100 per cent provision cover for non-performing loans. Last year It increased its consolidated net earnings by 8 per cent to Es20.2hn. But banking analysts

believe the task of absorbing RPA has been harder than question the "fit" between the cultures of the two groups. and argue that BCP paid a high price at a time of tough competition and shrinking margins. They note that BCP is now planning to raise extra funds to reinforce its capital ratios, with a rights issue of 27m shares expected to May or June. An issue of up to \$250m in preferential convertible bonds is planned. This follows a \$500m preference share issue last September.

Mr Jardim Gonçalves says BCP may increase its stake in BPA: It is committed to either placing or buying shares now beld by Império, its partner in the takeover, if the insurance group decides to reduce its bolding. But be Insists that the capital increases are not aimed at carrying ont a further acquisition.

The process of "strategic concentration", he says, is finished. The problem of relative size in the market -"our problem was that we had 9 per cent and there were others with 20 per cent" - Is now resolved, be says. "It is not important for us to be number one."

David White



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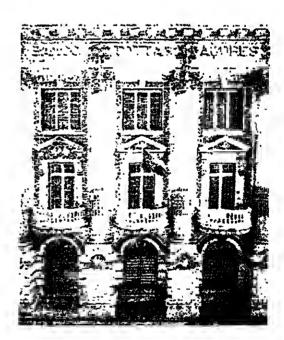
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### n the name of democracy

The ambitious programme reflects the socialist government's philosophy

Portugal's new socialist government has embarked on an extensive two-year privatisation programme that is not only more ambitious than any planned by the previous centre-right administration but is also packaged in a different political philosophy.

Sales of state companies. conservatively estimated to raise Es380bo in 1996 alone, are intended to replace the idea of "popular capitalism" promoted by the previous government with the concept of democratic ownership, according to the centre-left Socialists.

Employees, small savers and Portuguese emigrants abroad are to be encouraged by discounts and tax incentives to invest in the planned privatisatioo of 22 companies in 1996 and 1997, a method first adopted by the Social Democrats, who were defeated in a general election last October. Mr Antonio Guterres, the

prime minister, told parliament that privatisation would promote greater social justice. equality of opportunity and economic integration. This, rather than the size of the public sector, was today the true difference between left and

To privatise is to democrailse," said Mr Antonio Sousa Franco, the finance minister. rejecting the notion of "popular capilalism" as "Ideologically compromised". But it has not become clear what concrete differences the new label

Focused on banks and insurance, sales of companies nationalised after a left-wing revolution in 1975 have raised more than Es1,300bn over the past seven years, making Portugal the industrialised world's third largest privatising country after Britain and New Zealand, according to the Organisation for Economic

Co-operation and Development. The new government's programme centres on industry and services, including steel. shipbuilding, oll, chemicals, mining, gas, paper pulp and

agement and motorway construction and operation. The higgest sales this year will be global offers of Portugal Telecom. Electricidade de Portugal. the national power company. and Cimpor, a cement producer.

Privatisations planned for 1996-97 include:

• Telecommunications: a global offer of a second tranche of 22 per cent of Portugal Telecom is expected before mid-1996. The privatisation of 27 per cent in June 1995 raised

An international partner is expected to acquire an additional 20 per cent of PT early next year. This will require repealing a law that limits pri-

#### Timing will be crucial to the success of the Telecom sale

vate sector ownership of the group to 51 per cent. The government has indicated that 20 per cent of PT will be kept in state hands until the full liberalisation of Portugal's telecommunications sector, which bas to be completed by 2003 under EU rules but is likely earlier. • Energy: more than 20 per cent of EDP, the holding company for Portugal's power generation and distribution utilities, is to be privatised in another global offer at the eod of 1996 or in early 1997. Further holdings will be offered subsequently but the state is to retain a holding of 51 per cent and management control.

The next phase in the privatisation of Petrogal, Portugal's biggest oil company, will not take place before 1997, Petrogal is 55 per cent controlled by the slate with the other 45 per cent being held by a consortium of Portuguese investors. The privatisation of Gás de Portugal/ Transgas, two linked gas utilities, is to be undertaken once the project for introducing natural gas to Portugal has been completed, probably in 1997.

• Cement: 45 per cent of Cimpor is to be sold in 1996. This will reduce the state holding to 35 per cent following the privatisalion of 20 per cent in 1994. • Tohacco: 60-65 per cent of

sold as a single block through a tender offer in 1996. The state will later sell its remaining holding on the stock market or under the terms of a sale option agreed with the buyer of the initial 60-65 per cent.

• Pulp and paper: plans to continue the privatisation of Portucel industrial (pulp and paper) are based on a strategy to encourage Portuguese companies to be more competitive in the global paper sector. This means a second tranche will not be sold until 1997, after a restructuring of the group.

• Banking: the state's 80.5 per cent stake in Banco Fomento e Exterior, the fifth largest financial group, is to be privatised sbortly by competitive bidding. The state's remaining 13.2 per cent of Banco Totta & Acores

ket in 1996. Caixa Geral de Depósitos, Portugal's largest banking group, is to remain state-owned, at least for the medium term. Secondary offerings in Cim-por and Portugal Telecom, two listed companies whose privatisation was begun by the previous government, will be the

first global offers made by the

is to be sold on the stock mar-

new socialist administration. It proposes to offer 45 per cent of Cimpor, worth about Es40bn at current prices. This will reduce the state bolding to 35 per cent following the sale of 20 per cent in Portugal's first international offer in 1994 when an early price fixing followed by a drop in the market dampened investors' inter-

Analysts say cement provides investors with a secure entry to Portugal's high growth infrastructure sector. which is being fuelled by large inflows of European Union funds, without having to incur the risk of investing in the construction sector, where balance sheets are generally poor.

An upturn in construction involving both the public sector and new bousebuilding is forecast to produce record levels of cement consumption. with demand growing by an estimated 2-2.5 per cent over the next three years on top of 5 per cent growth in 1995.

Cimpor is a cash-rich company that ended 1995 virtually deht-free. Clarification of how the group plans to use its casb.

tobacco as well as airport man- Tabaqueira (tobacco) is to be prior disposal of financial assets and a clear indication of the government's plans for the remaining state bolding are seen as the main conditions for

> a successful offer. Timing will be crucial to the success of the Portugal Telecom offering. The company bas enjoyed high growth after a global offer of 27 per cent last June. Sbares in the group reached a record high earlier this month after it reported a 44 per cent lift in net consolidated profit to Es36.2bn in 1995 from Es25.1bn in 1994. The shares bave gained more than 27 per cent since the first tranche of PT was sold at Es2,800 a sbare and the second tranche of 22 per cent is worth more than Es140bn at current

Analysts consider Portugal Telecom could safely seek a slightly higher price than a Greek telecommunications offer expected in the first balf of 1996. But delay into the second half would bring the operation into possible conflict with a Deutsche Telecom offer-

Mr Guterres makes no secret of wanting as many privatised companies as possible to remain under Portuguese control to provide the country with economic groups big enough to compete globally. This means the government is likely to focus on sales made through direct negotiation and purchase tenders rather than public offerings, except for a few groups too big to be bought by Portuguese inves-

tors alone. However, the Socialists, under pressure from the European Commission, are also preparing legislation that will ensure there is no limit on the acquisition of privatised companles by European Union investors. The previous government bad set some case-bycase restrictions on foreign holdings of privatised stock that bave led to complaints of illegality.

"We particularly hope to encourage foreign investors to acquire holdings in companies where they can contribute valuable know-how and an international dimension," says Mr Daniel Bessa, the economy minister. He cites Petrogal, the oil company, as a possible example.

■ Derivatives: by David White

### looks to its futures

A new market should start soon in the northern city's former stock exchange

By a particularly unfortunate blt of timing, plans for a derivatives market in Portugal came to a bead in the year of the Barings flasco. Already postponed, the launch was scheduled last summer. Now, after further besitattons and bitches. futures trading is set to start in the next few weeks, bringing back to life what used to be the Oporto stock exchange.

The scheme promises to maintain for the northern Portuguese city at least a symbolic role as a second financial centre after Lishon. Oporto, with a long and solid commercial tradition, has had a stock market for more than 100 years - mostly a modest presence, although it has had its

active moments. Closed after the 1974 revolution, reopened in the 1980s, it has looked for a new direction since the Lisbon and Oporto markets were privatised five years ago, in Portugal's equivalent of the Big Bang. After a couple of years looking at the experiences of international markets, it formally applied for authorisation to open trading in futures and options.

But the larger Lisbon exchange was thinking along the same lines and put in its application for a rival project. There

was clearly not room for both. After negotiation with the authorities, a compromise was reached, giving each centre its exclusive specialisation: the cash market in Lisbon and derivatives in Oporto, in mid-1994, the Oporto exchange in effect sold its cash business and ceased stock trading. Those equities which until then had been listed only in Oporto were transferred to Lisbon.

But it will have taken about two years to get the new market going in place of the old one. "There has been a delay," admits Mr Manuel Alves Monteiro, chief executive of the Oporto exchange, Technical problems bave not been the only reason.

"Many people were not prepared to see a derivatives market in Oporto," be says. The hold-up is understood to reflect reservations about the project within the Bank of Portugal and the Securities Markets Commission (CMVM), the two bodies which will have supervisory responsibil-

lty. The Oporto exchange has addressed

kind of market in Portugal - by running courses for banks and companies. In the last few weeks, work has been going on to complete the details of a legal framework.

The principal model for the scheme is Spain's Meff. since 1990 one of the fastestgrowing among Europe's derivatives markets. Barcelona, where futures and options on Spanish hond and money-market contracts are traded, is assisting Oporto with the technology for fully-automated trading and an integrated clearing system.

The infrastructure will be of a kind that investors are already familiar with, says Mr Alves Monteiro. "Also, many clients for our market will come from Spain."

The first futures contracts will be based un a new, purpose-designed 20-share index, the PSI-20 (the initials stand for Portuguse Stock Index), and on a 10-year notional treasury bond. These are similar to the main instruments in the Spanish market.

#### The risk is that business will be lost to larger exchanges, such as the UK's Liffe

Unlike Spain, bowever, where derivatives operations are spltt between the Barcelona fixed income market and a variable income market in Madrid for trading in stock and index futures and options, they will be concentrated in the one market.

Mr Alves Monteiro envisages expanding the range of contracts traded, to include sbort-term interest rate futures and options in the index. Priorities and timing. however, will depend on bow well the market reacts in the initial stages, he says.

The blg question is wbether the underlying securities markets have sufficient dimension, and wbetber there will be enough liquidity to sustain the Oporto venture. Competition between international derivatives markets is already growing and is expected to intensify if and when Europe moves into the single currency phase of monetary union.

Some investment bankers predict a tough start for the new exchange, considering the limited number of institutions involved in the Portuguese stock market and the low level of international involve-

one worry - the lack of training in this ment in the debt market. Only 3 or 4 per cent of Portuguese government debt, they say, is beld by foreign investors, compared with around 30-35 per cent in Spain's case. However, backers of the venture say it will lead to greater internationalisation.

In an indication of interest building up ahead of the Oporto market opening, the first derivative contract based on a Portuguese index was launched in January by Bankers Trust, with dollar-denominated warrants, traded in Luxembourg.

Mr Alves Monteiro is anxious to lose no more time in getting the market under way. The risk is that husiness will be lost to larger exchanges such as the UK's Liffe. taking advantage of greater liquidity and lower costs. "Yes. I'm worried." he con-fesses. "I have several times told the authorities that that's a danger. We deal

with that danger every day."
This month the Oporto exchange obtained an important change in its regulations, enabling banks, and not only brokers and dealers, to become members, Mr Alves Monteiro considers their presence as both trading and clearing members to be vital to the market's prospects. "For the future on the long-term rate there can only be a market with hanks," he says.

Before the launch, the exchange is moving to new, modern premises, abandoning the rented rooms where stock trading used to take place in a monumental 19th-century building belonging to the city's Commercial Association, it has changed its name from Bolsa de Valores do Porto to Bolsa de Derivados do Porto, to match its switch in activity. The main computers and a central team will be located in the city, although the automated system allows trading to be done anywhere in the country. Most of the training for the venture has been carried out in Lisbon, where the derivatives exchange also has offices: How big a market is it likely to be? Mr Alves Monteiro says an optimistic pres-

pect would be to achieve a size of 20 or 25 per cent of the Spanish derivatives market. On a pessimistic estimate, the proportion might be only 5 or 10 per cent. But he is reluctant to make forecasts. In a remark that might seem paradoxical from the chief executive of what is set to be Europe's newest futures market, he says: "The predictions made by other exchanges have taught us not to think very much in

COMPANY PROFILE

Barclays Bank

### English culture, but no queues

Barclays Bank, a small player that bas successfully exploited a niche strategy amid the growing concentration of Portnguese banks, tiptoed into the country in 1985, opening a single branch in central Lisbon aimed at corporate customers.

By the time Barclays was celebrating the tenth anniversary of its Portuguese operations with a gala performance of works by Henry Purcell and Benjamin Britten at Lisbon's São Carlos opera house last November, it had established a network of 70 branches with about 600

Barclays Portugal, the only British bank in a traditionally Anglophile country, posted a net profit of Es1.24bn in 1995, np from Es1.02bn the previous year. The bank's total assets were Es305.4bn, down 2.6 per cent, while customers' deposits increased 17.9 per cent to Es192.8bn.

The bank sees 1990, when it began offering accounts to individuals, as the turning point of its move into Portugal. Until then, Barclays had concentrated on the multinational and Portuguese corporate sector. Bnt, desptte achieving strong results, it was dissatisfied with the prospects for growth.

in a second stage of development, the bank engaged in detailed studies before targeting the retail and private banking sectors. At the same time, it expanded into fund management, life insurance and car purchase finance. In 1993, Barclays was one of the first banks to introduce telephone banking into Portugal.

Barclays now alms to consolidate tts two niche markets: corporate banking

services for Portugal's leading companies and what it calls premier banking, a product aimed at high net worth individuals involving a high level of personalised service and advice.

We offer a friendly, queue-free service, says Mr João Freixa, assistant general manager of Barclays Portugal. "People at the upper end of the market are sensitive to service, remuneration and reputation. Our aim is to provide that by having a bank with a branch concept different from that of many Other banks."

Barclays' branches in Portugal operate on the lines of small sales offices and aim to provide more friendly personal contact than Portuguese customers have been used to, says Mr Freixa. "We're very much a bank staffed with local people, but with the culture of an

English bank." Barclays has proved to be a leading innovator at a time of rapid expansion and modernisation for the Portuguese banking sector. "We came up with something quite new for Portugal, which was to pay more," Mr Freixa says. By taking advantage of the bank's small structure, "we were able to remunerate accounts on better terms than was the

normal practice," he says. When Barclays began in Portugal, it was one of only four foreign banks competing in a highly regulated market. The others to request licences after the banking sector was opened to foreign institutions in 1984 were Chase Manhattan, Citibank and Banque Nacional de Paris.

In 1985, more than 90 per cent of

Portuguese banks-were state-owned and, to a certain extent. politically motivated. says Mr Freixa. They were not allowed to lend above credit cellings fixed by the Bank of Portugal. "Many banks had too many staff and were used to traditional banking relations, with controlled interest rates and even commissions that were largely regulated.

ien exch the debt market were virtually non-existent," he says. But the entry of new foreign banks into the market and their interest in these areas began to stimulate competition: "We were starting from scratch so we could create a bank which would prove more efficient than a more established bank with many

more staff and older computer systems." There was a lot of liquidity in the market as the Portuguese are traditionally big savers. But that is being reversed following the introduction of credit and direct debit cards. Portugal has leapfrogged much outdated technology and adopted the most modern systems. In particular, Multibanco, an electronic payments system shared by all banks in Portugal and based on a national network of automatic teller

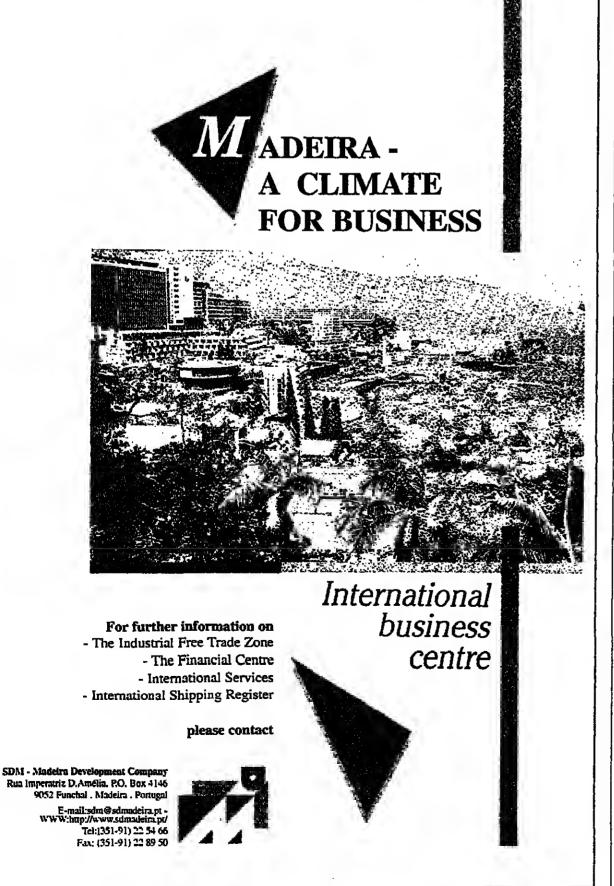
machines, has proved a hig success. Barclays' main concern is to maintain the capacity to grow. "Private banking is exceeding nur expectations," says Mr Freixa. "In Portugal, there is limited room for expansion. But we are still young, nur customers are loyal and we continue to attract new ones."

Sarah Provan

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### SLOVENIA

### Old row blocks new start

A dispute with Italy over property rights is impeding the country's European aims, write Kevin Done and Gavin Grav

apply for full membership of the European Union later this year in an attempt to ensure that it is not relegated to the also-rans in the process of EU enlargement.

Earlier this month it set itself the target of achieving full EU membership by 2001 in the hope that it can avoid lasting damage from its protracted bilateral wrangle with Italy, whose use of its power of veto in Brussels has hitherto slowed Slovenia's progress towards closer formal EU integration.

Slovenia, the most developed of the aix former Yugoslav republics, and the most prosperous of any of tha states to emerge from former communist central and east Europe, thinks it should be at the front rather than the back of the

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queue to join the EU. The country's economy has developed strongly during the past three years with growth in gross domestic product (GDP) of around 5 per cent a year in both 1994 and 1995.

Inflation has fallen to around 8 per cent and foreign exchange reserves have risen rapidly. It is also in the final stage of executing a landmark foreign debt deal with western banks which sbould finally allow it to extricate itself from the deht problems of former Yugoslavia and to build an independent presence in the world's capital markats.

The country and its 2m popniation have enjoyed several years of political stability since gaining independence in the summer of 1991, remaining at a distance from the disastrous wars waged in the Balkans by its former partners in the Yugoslav federation.

Tha government of prime minister Mr Janez Drnovsek. has been hit recently by the defection of one of its main

lovenia is planning to coalition partners, the formercommunist United List of Social Democrats (ZLSD). Mr Drnovsek is confident, bowever, that his centrist coalition government of Liberal Democrats and Christian Democrats will hold together until the

general election due this

Despite this record of stability and progress the Alpine republic's search for closer formal links with the EU - tha item at the top of its internatinnal agenda - has been thwarted to date by its longrunning dispute with neighhouring Italy. Rome is still blocking the signing of Slovenia's association agreement, stopping it from crossing the first burdle towards eventual EU membership.

The row has arisen from Rome's demands for Italian citizens, or their descendants, to ha able to recover proparty owned in what was once Italy's and is now Slovenia's part of the Istrian peninsular. The Italian government baa been insisting that the property should be returned to previous Italian owners, if it still under the control of the Slovenian state, and that otherwise, if the property is for sale, former Ital-

ian owners should be given

preferential purchase rights. Rome finally allowed associa tion negotiations with Ljubljana to begin a year ago after protracted initial delays. A deal was quickly reached in Brussels and was initialled last summer. For the past nine months, however, Slovenia has suffered the frustration of Italy vetoing the signing of the asso

This is preventing it from joining the nine other countries from east Europe that have signed association agreements and which are already participating in Brussels

clation agreement.

egy" for countries from central and east Europe.

Initial bopes in Slovenia that the agreement could be signed during the six-month Italian EU presidency which began in January have faded fast, Rome has become ever more preoccupied with domestic politics and next month's general election.

The threat in Slovenia's EU amhitions Is clear. "Momentum is huilding up," says a senior foreign diplomat in Ljubljana. Without a signed association agreement, Slovenia cannot take part in the structured dialogue with the EU. It will simply not be part of the central and east European enlargement process."

Formal negotiations with some east European countries are expected to begin from 1998 in the wake of the EU's intergovernmental conference. There are nine candidates at present, hut Slovenia is not yet one of them.

"Economically Slovenia is de facto the best placed of all for EU membership, but de jure it is in tenth place," aays Mr Zoran Thaler, Slovenia's foreign minister

The dispute with Italy has its origins in the last days of the second world war, when Yugoslav forces fought their way to the city of Trieste, pushing the Yugoslav-Italian frontier 50 kilometres weat of its pre-war position. A series of treaties culminat-

ing in the Treaty of Osimo in 1975 eventually allotted part of the territory to Italy, including Trieste, and part to Yugoslavia including the coastal towns of Koper, Izola and Piran.

A large number of ethnic Italians fled the Yugoslav-administered zone for new lives in Italy. In 1983 the two countrles signed a further agreement in Rome which committed Yugoslavia to paying Italy \$110m in instalments as compensation to Italians who bad

Linbljana considers that

so-called "pre-accession strat- ltaly is now seeking to re-open these treaties by taking advantage of Slovenian independence to demand that compensation also be given through the return of the original property. It is a damand that Slovenia has rejected on the basis that its legislation bars foreigners from owning property.

"Italy has raised issues from the past and used them to try to obtain bllateral concessions," says Mr Drnovsek.

Slovenia accepts that if it is to become a member of the EU it will have to amend its laws to let EU citizens buy property. including land. in a nod to Rome the parlia-

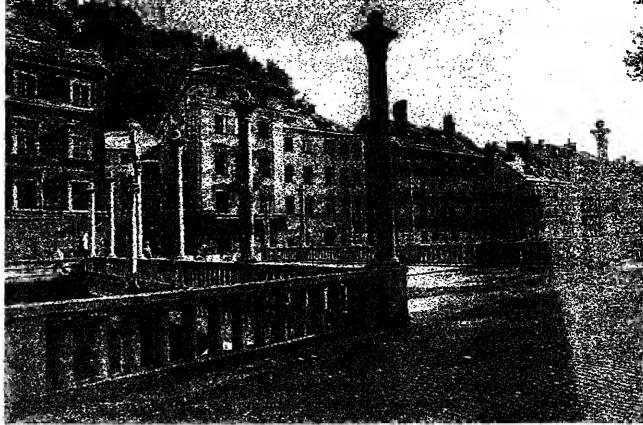
ment declared this month that it was willing to "accelerate" the adoption of legislation on foreigners' property rights "in accordance with the European standards". In practice, however. Liubliana still resists demands that it should already go down this road in its association agreement, claiming that it is a demand that has not been made of other EU candidate states.

The dispute with Italy has exposed considerable contradictions in Slovenians' attitudes towards Europe.

From its outset in the late 1980s the Slovenian independence movement was strongly pro-European, albeit in an ilidefined way. Slovenians associated Yugoslavia with the Balkans and corruption.

Independence represented a chance to be in Europe, a world they believed was fair and ordered, For Slovenians, italy's handling of this dispute is strongly reminiscent of bow Belgrade used to manage Yugoslavia. Recent opinion polls still

give strong support, of about 70 per cent, for the idea of Slovenia joining the EU. But when asked if they would still support membership at the price of permitting foreigners to be able to buy land, an equally overwhelming majority of Slovenians were opposed to



Ljubijana, capital of Slovenia: the country is keen to ation itself with the new west rather than the old east, despite the political obstacle:

Slovenia's leaders have become bitter about the way Italy bas behaved and about the failure of other EII members to overcome ltaly's veto.

"In Slovenia we realised with considerable surprise that the EU is in fact far from some ideal democratic association such as we imagined in the past. We realised that within it there is a continuous bargaining of interests, often entirely witbout principle," says Mr Droovsel

The delay over the association agreement has tended to obscure Slovenia's wider achievements in bringing its economy more into line with the EU and in the process overcoming the loss of its main markets both in east Europe and in former Yugoslavia. The Czech Republic is often

lionised as the top-performing central European state, but Slovenia believes that it deserves this mantle.

Its GDP per capita in 1994 was \$7,000, according to the Vienna Institute for Comparative Economics, compared with \$4,000 for Hungary, then the second richest east Europe state. At current growth rates

Slovenia is already believed to on the east-west and northhave overtaken Portugal and Greece, the EU's two poorest members.

"We already meet three of the five Maastricht convergence criteria and I think we will soon reach the remaining two," says Mr Drnovsek.

The country bas reached this position just five years after independence thanks largely to the success of its manufacturing industries in finding new export markets in the European Union, which already account for around 70 per cent

of the country's total exports. At the same time it is seeking future growth in its former eastern markets. At the start of 1996 it became a full member of the Central European Free Trade Agreement (CEFTA) alongside Hungary, the Czech Republic, Poland and Slovakia,

The port of Koper is becoming increasingly popular as a supply hub for the rest of central and eastern Europe and is already the largest sea port for Austria, Slovenia's land-locked northern nelgbbour. To enhance further this regional role the country is spending heavily on the development of lts infrastructure, in particular south motorway axes. The east-west route will link

the country's main economic centres of Ljubliana, Celie and Maribor, and is part of the planned European "Corridor 5" that is to run eventually from Barcelona in Spain to Lviv in Ukraine, Around \$2.3bn is being invested in Slovenia on the east-west route, with 56km of new motorways to be

in the bope that the Dayton accords can bring lasting peace to the Balkans, Slovenia is also looking south to its traditional markets in former Yugoslavia as a source of future growth in trade. A large business delegation led by President Milan Kucan visited Bosnia last month in part to promote the role that Slovenian groups can play in Bosnian reconstruction. Ljubljana remains cautious

opened this year.

about the short-term prospects. While Slovenia has been a force for stability in the region, the government of Mr Drnovsek is facing increasing tensions at home, with a general election looming before the end of the year.

The coalition lost its absolute majority in parliament in late January when the United List of Social Democrats, with 14 seats, went into opposition, The remaining two parties, Mr Drnovsek's Liberal Democrats and the Slovenian Christian Democrats, together now control 45 seats, exactly half the seats in the national assembly.

Strains over economic policy and the need for tighter budget restraint and for urgent reform of the country's under-funded pension system, led to the departure of the left-wing United List, a successor to the communist party.
Mr Drnovsek is confident

that the votes of a small number of independent MPs will sustain the government in office for the remainder of its term. But it is far from clear what alliance will emerge after the election in particular the role of the Christian Democrats, the smaller coalition partner, remains ambiguous.

Its leader. Mr Lojze Peterle. Slovenia's first prime minister and foreign minister until his departure in 1994, bas been openly plotting with two opposition partles, the Slovenian Peoples Party and the Social Democrats, about a possible

#### The economy: by Kevin Done

### GDP may rise 4.5% in 1996

The strength of the tolar and could undermine the expansion

The Slovenian economy has grown strongly in the past two years, and further expansion is forecast for 1996 and 1997 despite warning signs that the country's competitiveness is being undermined by rising costs and the strength of the currency, the tolar.

Gross domestic product (GDP) grew by 5.5 per cent in 1994 and by an estimated 4.8 per cent last year. The government is currently forecasting growth of 4.5 per cent for this year, despite a worrying slowdown in industrial production, which grew by 2 per cent last year compared with 6.5 per cent in 1994.

Inflation has been brought down to one of the lowest levels in the region, the currency is stable, and foreign exchange reserves have risen sharply.

The year-on-year inflation rate had fallen to 84 per cent in December from 22.9 per cent in December 1993, and a further fall to around 7 per cent is forecast by the end of 1996.

According to a recent report by Union Bank of Switzerland on emerging markets the Slovenian economy's growth pros-pects "remain excellent".

Slovenia: key facts

inflation rate should remain one of "the best in the region". and the government budget deficit abould remain "mini-GDP for the next two years.

mal" at around 0.1 per cent of Slovenia has one of the best momic records of any of the Real GDP

% change

transition countries in central and east Europe, but it also began from a position of relative strength

The country was the most developed of the six former Yugoslav Republics. With only 8 per cent of the population of former Yugoslavia, Slovenia accounted for 16 per cent of Yugoslav GDP and 30 per cent of its hard currency exports.

The achievement of the past five years has been to overcome the loss of its markets in

Change in stocks
Espoits of goods and services

imports of goods and services

kets of the European Union. In 1995 Slovenia surpassed

its level of exports of 1991, finally making up for the loss of the Yugoslav market. According to preliminary fig-ures trade with OECD countries accounted for 73 per cent of exports and 77 per cent of imports last year. The EU alone accounted for about 68 ner cent of total trade.

Exports are estimated to bave grown by 26 per cent last year (in nominal dollar terms) to \$8.6bn, but imports rose even faster by 32 per cent in \$9 2bn due in part to the strengthening of the inlar and growing imports of western machinery by Slovenian enterorises as the restructuring of industry gathers pace.

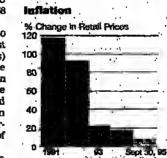
The trade deficit more than tripled to around \$600m, but Slovenia continued to run a current account surplua last year of around \$200m thanks in particular to strong income from tourism.

Investment in industry has been delayed in many cases by the uncertainties of the drawnout privatisation process, but the log-jam has now been broken, as the sell-off programme reaches its final stages.

"We are expecting much more enthusiasm from the corporate sector to invest, espe-cially from the second half of

Unemployment should con- former Yugoslavia and other this year and in 1997. More tinue its downward trend to 13 east European countries and to capacities will be needed," says per cent in 1996 after dropping redirect trade towards the mar-from 18.5 per cent in 1993, the kets of the European Union. Chief executive of SKB Banka, chief executive of SKB Banka, Slovenia's leading publicly

quoted bank. Mr Mitja Gaspari, Slovenia's finance minister, admits that the real appreciation of the tolar in 1994 and in the first half of 1998 did damage the competitiveness of some sec-



tors of industry, in particular labour intensive sectors such as textiles and shoe making.

Investments rose by 16 per cent in real terms last year, says Mr Gaspari, with their share of GDP rising to 23 per cent last year from 18 per cent in 1993. "investment is gaining pace, and we can count on this for the future with the need for new technology and new capacities. This is important for an economy as exposed to foreign trade as Slovenia's."



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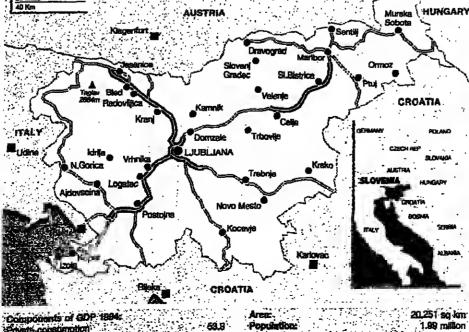
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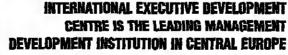
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### Legal challenge mars new agreement

A new deal on old debt has pleased creditors and angered Serbia and Montenegro

After more than four years of protracted negotiations with its creditors Slovenia is finally on the verge of severing its links with the foreign debts amassed by former Yugoslavia.

Last month the Slovenian parliament approved a landmark deal between the government and the so-called London Club of 400 commercial banks over the share of former Yugostavia's foreign debt to be taken on by Slovenia.

The backing from parliament was supposed to be the final piece in the jigsaw needed to complete the country's negotiations with its commercial bank creditors, but recent actions by rump Yugoslavia - Serbia and Mantenegro - have threatened the deal at the last moment.

Just as Slovenia issued its final hinding-offer notice to western hanks in mid-March. US lawyers acting for the National Bank of Yugoslavla and three Serbian banks issued a letter warning creditors against accepting Slovenian onds. The letter threatened them with unspecified legal action if they proceeded.

After a few nervous days and intense consultations with tbelr lawyers both Slovenia and the western banks have chosen to dismiss the threat.

The ball is now back in Belgrade's court. It appears that the National Bank of Yugoslavia will have to win a court injunction If it is still intent on disrupting the deal.

Slovenia and the western banks have chosen to stick to the original timetable, which has set April 11 as the deadline for creditors to record their toans and June 11 as the final exchange date.

The London Club deat completes the process begun by Slovenia's earlier debt agree ments with the international Monetary Fund (IMF) and the World Bank in its first years of independence, and later with its 16 country creditors in the so-called Paris Club.

The resolution of the foreign deht part of Slovenia's unwelcome financial inheritance from former Yugoslavia will opeo the way for the oatloo to gain full access to the international capital markets.

It is now making formal presentations to the international credit rating agencles and is confident that hy the earty summer it wilt gain the ratings that will allow it to make a maiden issue in the eurobond market later this year.

Slovenia is the first of the states of former Yugoslavia to finalise an agreement with its foreign creditors. The deal could set a precedent for the commercial banks' separate negohations with Croatla and Macedonia and ultimately with

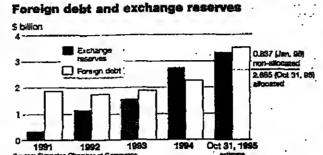
way in the past five years since independence was declared in mid-1991.

One of the country's early become an independent member of the international economic and financial community and to decouple Slovenia's country risk from the country risk of what used to be Yugo-

strategic objectives was to

Yugoslavia "jointly and severally" liable for the entire debt. Slovenia felt particularly vulnerable as the strongest part of the former Yugoslavia.

About \$12.2bn of the total of the \$15.3bn of Yugoslav debt outstanding at the and of 1991 was in the category of so-called 'allocated" debt, meaning that it could be apportioned to the different Yugoslav republics on



Formsr Yugoslavia's foreign debt totalled around \$15.3bo at the end of 1991 with approximately a third each owed to the commercial banks, to multilateral lenders and to bilateral country creditors.

The challenge faced by Slovenia on independence was how to extricate itself from this morass, not least as It faced a clause in the debt agreements with the London Club of commercial banks that made all 10 Yugoslav banks including two from Slovenia -

the basis that it had been used hy eotities legally hased on their territory. Of this around \$1.8hn fell to Slovenia

The main problems arose in relation to the "unallocated deht", incurred for purposes such as balance of payments credits, and the joint and several liability clause attached to the commercial bank loans. The key to unlocking these

issues was provided by membership of the IMF. The fund decided to recognise all five states of the former Yugoslavia

The country has come a long and the National Bank of as equal successors and came up with a formula for dividing former Yugoslavia's IMF debt, under which Slovenia took 16.89 per cent of the total.

The sama method was then used to split up the unallocated debt to the 16 Paris Club creditors, which totalled around \$1.54bn. Of this Slovenia took on \$252m. Bilateral deals, agreed in principle in 1993, have finally been concluded in recent weeks with Germany. the US and France. Agreements with most other Paris Club creditors should be implemented by the end of 1996.

The hardest nut to crack has been the London Club debt, where the joint and several lishility clause meant there were no legal grounds for distin-guishing between "allocated" and "non-allocated" dabt or for using the IMF formula.

Initially the banks demanded that Slovenia take responsibility for 28 per cent of former Yugoslavia's commercial bank debt - it totalled \$4.2bn at the end of 1991. Slovenia offered to accept only 14 per cent.

After two years of tense negotiations, agreement in principle was reached last summer with Slovenia offering take on 18 per cent of the debt. The deal was finally accepted by the necessary number of banks bolding at teast two-thirds of the outstanding debt claims in January this year, with the Sloventan parliament adding its

Slovenia's agreement to take a share of the debt, which was worth \$5.576hn at mid-January exchange rates, is aimed at releasing it from the onerous joint and severat liability clause, allowing it to sever its final tinks with the debts of

former Yugoslavia. By mid-June Slovenia will issue \$822m of government bonds in exchange for its share of the debt, with the same conditions as those contained in the last rescheduling arrangement, the so-called New Financing Agreement (NFA) of 1988. the last debt restructuring deal made by Belgrade before the break-up of Yugoslavia in 1991. The honds will mature in 2006 and will carry an interest rate of around 0.8 per cent over the London interbank offered rate (Lihor). They will be denominated in D-Marks and

US dollars. NFA creditors from rump Yugoslavia – Serbia and Monetenegro - with which Slovenia is still in dispute over its claim for a share of the assets of for-Yugoslavia, are excluded from the deal with the commercial banks.

During the past four years the country's international financial standing has been transformed. When it launched its first three-year syndicated loan at the end of 1993, the price was 238 basis points over Libor. For the most recent syndicated loan the price bad fallen to below 50 basis points over Libor.

■ Banking: by Gavin Gray and Kevin Done

### Managers try to fight change

Rationalisation is needed in this overbanked market

The Slovenian government is preparing to privatise the country's two largest state banks in the final stage of the bank rehabilitation programme launched in 1993.

The scheme rescued Ljubljanska Banka, the country's largest bank, and Kreditna Banka Maribor, which is based in east Slovenia.

The two banks bad run into evere liquidity problems after independence in 1991, when the economic downturn created a heavy burden of bad debts. Both suffered further damage when the Yugoslav central bank refused to return their foreign currency deposits.

A third regional bank, Komercialna Banka Nova Gorica, was included in the scheme, but it was merged last year with Kreditna Banka to form a new institution, Nova

Under the rebabilitation scheme, the government assumed responsibility for most of the banks' bad toans and recapitalised them with 30year government honds. The Bank Rebabilitation Agency. an arm of the government. became the banks' owner and was given the task of restructuring them. At the same time, another 11 banks that used to form Ljuhljanska Banka's

The bourse has

change

grown slowly since

its establishment in

1989. This is set to

Shares in the first wave of

privatised companies are set to start trading this year, trebling

the size of the stock market

and giving western institu-

tional investors their first chance to buy equity in a wide range of industrial companies.

At the end of last year only

12 companies were listed on the exchange with another six

being traded on the over-the-

counter market. These were new start-up companies, mostly in the service sector,

and of little interest to inves-

tors wanting to buy into the well-established manufacturing

companies that are fuelling

exchange to open in east

Europe - the Berlin Wall was still standing when we were

founded in 1989 - but it was

also the last exchange to begin

trading privatised stock," says

Mr Drasko Veselinovic, presi-

dent of the Ljubljana stock

More than 70 companies

have completed public share

issues as part of their privati-

sation plans, but many of them

have rasisted listing their

sbares out of fear that this

would expose them to hostile

takeovers. Only one company

"This was the first stock

economic growth.

■ The stock market: by Gavin Gray

treble in size

Exchange could

and transformed into independent institutions.

Three years later the two hanks have been fully restructured and Nova Ljubljanska Banka (the bank was renamed in 1994) has returned to profit. Problems have emerged at Nova KBM, bowever, because the two management teams had problems working together, and Komerciaina Baoka bas called for the merger to be annulled.

The issue of privatising the hanks is expected to be controversial. The whole issue may well be postponed until after the general election expected later this year. The Bank of Slovenia, the

central bank, is recommending that at least one of them be sold to a foreign investor. It would also like fresh capital to be injected into both banks.

The managers of Nova Lju-blianska Banka are firmly opposed to a foreign takeover and are lobbying for privatisation through a domestic sbare sale in exchange for privatisa-tion vouchers - a proposal that would neither inject new capital nor even raise funds for the

The break-up of the Ljubljanska Banka network and the arrival of new entrants has left Slovenla with more than 30 banks - clearly far too many for a country of two million people. The government has lifted the minimum capital

has come to market so far.

Kolinska, a food processing

Several more companies are

expected to follow its lead later this year lociuding Mercator, a

supermarket chain, Droga, a

food company and Kovino tehna, a trading concern.
"The capitaltsation of the

DM500m and t expect it to rise

to DM1.5hn hy the end of the

electronic trading system and a new clearing and settlement

centre that opens the way for

dematerialised trading in secu-

rities. However, some of the

legislation for a modern securi-

ties market is still lacking. A

law on takeovers is due to be

debated in parliament later

revamp its legislation on for-

eign investment, which was

originally drafted solely with

industrial investors in mind.

The new legislation will lay

down a legal framework for

portfolio investors and should

remove lingering doubts about

whether they can repairiate

their investments. In the

interim there have been a

handful of offerings, the larg-

est of which was an interna-

tional placement of sbares in

SKB Banka, a private bank and

the targest listed company.

These are traded in the form of

depository receipts issued by

Merrill Lynch.

Slovenia is also planning to

this year.

year." says Mr Veselinovic. The Ljuhljana market has an

equity market is

concern, whose shares began

trading in January.

requirement for a full banking licence to DM60m in an attempt to encourage consolidation, but few mergers have resulted.

in one of the few deals to be conctuded. Nova Ljuhljanska Banka last year bought Posavska Banka, a former subsidiary in the southern town of Krsko. It is also trying to buy four more old subsidiaries in the towns of Domzale, Velenje, Trbovija and Murska Sobota. Most of Slovenia's smaller

hanks are jealously guarding their independence. This bas been a source of frustration for the manage-

largest private bank, which is

setting up its own branches. "Wa are over-banked, and at some time in the future there must be a consolidation of the sector," says Mr Gojko Koprivec, deputy chief executive of ment of SKB Banka, Slovenia's

takeover activity." 25 per cent owned by western investors including the European Bank for Reconstruction

and Development (EBRD), which owns 15 per cent of it. Last year it staged a bostile bld for Kranj-based Gorenjska Banka, another former Ljubljanska outlet. The bid was rejected by Gorenjska's management and shareholders forcing SKB Banka to expand by the more expensive route of

SKB Banks. "The targets for takeover will be those banks

ket share nationally. We have a substantial cash pile and we are going to play a big role in For foreign banks the high

with less than 6 per cent mar-

level of minimum capital has hitherto been a big disincentive. Two Austrian institutions, Creditanstalt Bankverein and Bank Austria, bave subsidtaries in Slovenia while a French bank, Société Générale opened a bank in 1993 with a restricted licence.

New banking legislation being prepared by the ministry of finance will allow foreign hanks to open branches rather than subsidiaries in Slovenia. removing the pre-condition that new outlets be separately capitalised.

For years Slovenians hava saved in foreign currency and

neighbouring Austria or Italy. tria originally opened banks in Slovenia to attract high-networth retail depositors. The two banks have also become strong competitors in the corporate loan market. They belong to the small group of Institutions able to provide medium-term loans to Slovenian companies.

openad bank accounts in

The EBRD is becoming very active in targeting the corporate sector, as the drive to privatisation approaches completion. Hitherto it bas been providing mainly long-term funding - with maturities otherwise not available in Slovenia - but increasingly it is also looking for equity investments in medium and large

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Contact person: Mr. Matet Kovač, Director

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REPUBLIC OF SLOVENIA CHAMBER OF ECONOMY OF SLOVENIA

The chamber of Economy of Slovenia is very active in the field of international business. There are a number of activities sponsored by the Chamber including business missions, visits, promotion brochures, lairs participation and consulting.

54 5 M

Performing the function of national business information center the Chamber is provider of comprehensive data about slovenian companies, exports and imports, demands and enquiries, loreign trade legislation, domestic business and economic outlook.

Its organisational structure encompass both tight coverage of the country by regional chambers and business activity by professional associations thus enabling very targeted contacts within the business community.

Contact person: Mr. Vitko Roš Head of International Division

Address: Slovenska 41, 1000 Ljubljana, SLOVENIA Phone: ++ 386 61 215 632 ++ 386 81 218 242 http://www.gzs.si Intolink@hq.gzs.si ++ 386 61 12 57 140

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### Broad product range drives exports

Companies have found ready markets for their products in western Europe

After five years of restructuring and reorganisa tion, Slovenia's top companies are stepping up their investment plans in an attempt to remain competitive.

Most of them invested little in the late 1980s and early 1990s, because they had excess capacity after the disappearance of their markets in former Yugoslavia.

The delays to Slovenia's privatisation programme added to the uncertainty and caused some to held back from new capital expenditure in 1993 and

The ease with which they have managed to find new markets has pushed up their investment requirements.

"The real growth rate of investment is very high; it is four times higher than any other component of demand." says Mr Maks Tajnikar, Slovenia's minister for economic affairs until the end of January. "But the share of investment in gross domestic product (GDP) is too small. It is about 22 per cent and needs to be between 25 and 30 per cent." Like their counterparts in

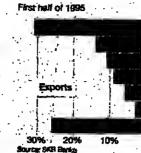
all Slovenian manufacturers have no option but to export. The country recorded \$6.2bn of merchandise exports in the first three quarters of 1995, of

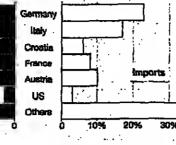
which two-thirds went to the EU, with Germany alone accounting for exports worth \$2.1bn. "If one looks at the components of GDP, exports to Germany are larger than domestic investment or domestic government expenditure. Exports as a whole are greater than domestic consumption," says Mr Joze Mencinger, director of the economics institute at Slovenia's law faculty.

Being dependent on export markets carries risks, such as a heavy exposure to movement in foreign exchange rates. Slo-venian manufacturers suffered in 1994 and the first half of 1995 because the Slovenian tolar appreciated in real terms against most European currencles. As a result, industrial production grew only 2.5 per cent last year, compared to 6.4 per. cent in 1994.

On the other hand, the sheer diversity of Slovenia's manufacturing sector insulates the country from cyclical movements or a sudden downturn in one sector.

The country's largest exporters include Gorenje, a producer of white goods and supplier to Quelle, the German mail-order chain. Renault of France proTrading partners





After Slovenian indepeo-

dence, the company restruc-

tured and cut lts workforce

from 1,200 to 800. Sales have

fallen to DMI00m a year, 60 per

cent of which is in the domes-

tic market. About 15 per cent

of sales are exported to east

kets in former Yugoslavia -

mainly Croatia and Macedonia.

Serbia now, but import duties

Stular, Kolinska marketing

The group's market share in

line. Ms Stular sees little pros-

from the existing product

range, so the company is

manager.

"Almost all Slovenian com-

European markets and a fur-

duces its Clio for export at Yugoslav market. Revoz, a majority-owned factory. Two large pharmaceuti-cals producers, Lek and Krka, have carved out strong export positions, especially in east Europe. Other important export sectors loclude textiles telecommunications equipment and paper products.

The development and restructuring of Sloveoia's export sector is exemplified by Kolinska, a producer of soups, snacks and other processed

Like many Sloveniao companies it developed in the late 1960s and early 1970s through licensing agreements. It signed deals with Nestle and CPC of the US that brought in knowhow and, crucially, the right to produce under foreign brand names. At its height in 1987, sales were DM220m, of which 70 per cent was sold in the

December it acquired a mineral water bottling plant in south-eastern Slovenia and intends to double annual output to 30m litres. During the past two years

Slovenia has signed free trade agreements with most east European countries and became a member of the Central European Free Trade Agreement in January.

Kolinska has great hopes for these new-found east European markets, although they too are becoming increasingly competitive as multinationals consolldate their positions. Probably the most successful

Slovenian company in east Europe is Krka, a pharmaceuticals concern based in the southern city of Novo Mesto. Exports to the Visegrad

group of countries - Poland. ther 25 per cent is sold in mar-Hungary, the Czech Republic and Slovakia - as well as the former Soviet Union. accounted for 44 per cent of its panies are thinking about \$300m turnover last year, with the domestic market accountare very high and it is a big financial risk," says Ms Milena ing for 28 per cent. Krka has been co-operating

with multinational drug groups for many years, and has licensing agreements with Bristol-Myers Squibh, Glaxo Wellcome and Sandoz.

Slovenia ranges from 40 to 80 per cent depending on product Without a doubt Krka's pect of fast growth et home greatest strength is its sales network and contacts in east Europe and the former Soviet

marketing the company has managed to secure a footbold in these markets, but it has also avoided accumulating bad debts. Its strength in the region was confirmed recently with the signing of a co-promotion deal with Glazo-Wellcome for the drug Virolex. Krka and Glaxo's sales forces in central and east Europe will work

together on selling the drug. Krka's best prospects for growth are in western Europe and the US, however, regions it has so far neglected. "We have concluded more than 20 contracts for export to Germany. The first shipments will go there in the second half of this year," says Mr Joze Colaric, deputy chief executive at Krka. Despite these moves, Krka is

out-growing Slovenia. Next year, it will invest DM15m to open a production and warehouse facility in Poland its first significant plant outside Slovenia.

Krka is also planning to open plants in the Czech Republic and Croatia. According to Mr Colaric, it has received strong government backing for its plan. With capital controls still in place it needs permission to invest abroad.

With Slovenian wages more than double the level in other east European countries, other companies are likely to follow

Privatisations: by Gavin Gray

### Sell-offs presage big restructuring

So far changes in ownership have had little effect on the way companies: are run

The first stage of Slovenia's privatisation programme is well under way, with more than 1.000 companies set to move into the private sector this year.

Existing management teams remain in control at most companies and little fresh capital is being invested as a result of the sell-offs. Despite this observers nee the privatisations as the prelude to a pro-longed period of reorganisation and recapitalisation.

Employees and managers have played a greater role in the privatisation process in central and east European

countries. This reflects the Yugoslevtradition of self-management: which gave workers at stateowned companies considerable control. Under Slovenia's privatisation law the workers themselves have decided how their companies should be privatised, and received substantial incentives to invest in buyouts. They can purchase shares at 50 per cent of book value and pay by instalments.

Under the original privatisa-

received privatisation certificates whose value depended on the individual's age. These can be used to buy shares in public share issues or placed in investment funds, which will receive 20 per cent of the stock of companies being privatised. Workers and their families can also use the certificates to

invest in employee buy-outs. The 1,500 state-owned compa nies were required to submit privatisation plans by the end of 1994. All but a handful metthis deadline.

By mid-February this year Slovenia's privatisation agency had given its approval in principle to 1.075 programmes. A further: 500 companies have received the agency's second approval, allowing them to be registered as private compa-

About 80 companies bave as part of their privatisation programmes and another 40 are expected to do so.

Most employees opted to buy shares in their own companies. the best way to preserve their: company, while 33.4 per cent jobs. At most small and medi--um-sized enterprises, the workforce will end up owning a 60 per cent stake in the company, with the remaining 40 per cent: of the stock owned by ontside investors: the state pension fund will have 10 per cent, a state restitution fund a further



Liabilians brokers are awaiting a flood of new supply from the privatisation of former state-run b

20 per cent of the shares will be transferred to private investment funds capitalised with privatisation certificates. Slovenia's largest companies will end up with even more dispersed shareholder structures, because their employees ers. able to acm

ling stakes. Typical of this is Krka, one of Slovenia's two large pharmaceutical concerns. Employees and their families will have often in the belief that this was \_\_a 23.6 per cent stake in the

individual investors who bought shares in a public share issue. Investment funds will own 40.25 per cent and the balance of the shares will be of privatisation. taken by the company's supplishare issue was completed last

antumn, bureaucratic delays mean that the company will not become private before autumn of this year. "Our shares will be trading on the stock market soon after that,"

will be controlled by other says Mr Joze Colaric, the company's chief executive. Observers expect power struggles to break out at many companies after the completion

"At companies that have already been privatised there shareholders and outside investors. The insiders would like to retain profits and invest, because they link their job security to modernisation," says Mr Joze Mencinger, director of the Economics Institute

of Ljuhljana's Law Faculty. The outside shareholders, by contrast, are putting companies under pressure to pay dividends. This is especially true of the private investment

funds. Since they were capitalised only with vouchers, they have started life without any cash. Yet they are under pressure from investors to start paying dividends themselves. When the private investment

funds started marketing themselves in 1994, they expected that they would very quickly be fully invested. But over the last two years they have made few investments.

The privatisation process bas exposed differences between management and workers. Some managers are exploiting workers' reluctance to become shareholders by offering to buy their partly-paid shares at a discount. In other cases companies have put their employees under pressure to sign proxy forms that effectively strip holders.

Few companies have invited foreign counterparts to take part in their privatisation. They are expected to invest later on, as domestic investors take profits.

■ Maribor: by Gavin Gray

### Revival eludes second city

Independence has taken away the markets of Maribor's biggest employer, TĂM

Slovenia's transition from socialism to capitalism has been one of the smoothest among east European conptries. The initial drop in industrial production was only 17 per cent and three consecutive years of growth mean that Slovenians should this year regain the living standards they enjoyed in 1989. Poland is the only other country in the region close to achieving that goal.

But Maribor, Slovenia's second city, and the region surrounding it, have been left behind in the recovery.

Whereas unemployment in Slovenia as a whole is 14.4 per cent and on the way down, in Maribor the rate is 23 per cent and rising. "It could reach 27 per cent

this year," says Ms Viljenka Godina, director of the Maribor Economics Institute.

Maribor, which lies in eastern Slovenia near the Austrian and Hungarian borders, was one of the five largest industrial centres in Yugoslavia before the country's dissolution, boasting two large textile factories and a network of companies supplying TAM, the . hus and truck manufacturer employer.

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in gradually shifting their sales to the EU or east Europe, Maribor's manufacturers are still fighting for survival after the loss of their key markets in former Yugoslavia. Many people in Maribor say that central government in Liubliana is not interested in

The situation at TAM epitomises Marihor's problems and the weaknesses of Slovenia's gradualist approach to industrial restructoring. At its height in the late

helping the town.

1980s it had more than 9.000 workers and a network of sales outlets and suppliers throughout the country. Its largest customer was the Yugoslav army. Most of TAM's exports went to African and Asian nations that bought lts products because of Yugoslavia's leading position in the non-aligned movement.

TAM lost its markets in June 1991 when Slovenla declared independence. Sales slumped from DM600m in 1990 to DM220m in 1992. The workforce fell by half through natural wastage and redundancies. but management took no decisive measures to re-organise production.

In 1992 Iveco of Italy showed an interest in acquiring the company's bus manufacturing and compouents divisions. But it pulled out of talks when TAM's managethat was the city's largest ment insisted on the company remaining intact. This left

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tal to obtain new technology or equipment.

By the beginning of last year, the situation had become critical. The company's cashflow could not meet payments on its bank debts of 3.5bn tolars (\$28m); its arrears to suppliers were estimated at T3bn. The government stepped in and took control of the company when management said was the only alternative to total collanse.

Last March the government agreed to a plan designed by Mr Maks Tajnikar, the minis ter of economic affairs at that time, to reschedule and guarantee TAM's old bank debts. and provide a further T8bn of guarantees to enable TAM to obtain working capital and start production again. A new management team

was appointed with a brief to bring the company back into profit within three years. "After the debt restructuring TAM was due to make the

debt in 1998. We believed that three years was long enough to carry out a restructuring of operations," says Mr Tajnikar. The Tajnikar plan involved

TAM closing down its truck division and concentrating on producing buses and components. But by last summer lt was clear that this plan had been over-optimistic, and that initial calculations of debts to suppliers had been wildly wrong. The true figure was

Mr Tainikar returned to parliament to ask for fresh funds. His request was accepted in October, but by then the new management team had resigned. TAM's political significance

grew at this time when It emerged that Mr Tainikar had approved TAM's payment of cash commissions to a Serbian husinessman who had arranged barter contracts in Russia for the company. Mr Tainikar responded to opposition pressure by resigning in late January. His party, the new job created directly.

coalition.

Now working as an academic, Mr Tajnikar defends his original rescue plan, while criticising TAM's new management for increasing production by the truck division instead of closing it down.

TAM workers went on strike in February because they had still not been paid wages for January. The government pressured TAM's main creditors to provide additional loans with which to pay

With the leftwing United List no longer in the ruling coalition, the current government looks set in be much less sympathetic to TAM than its Without thorough restruct-

uring there is no long-term future for TAM. We will be taking a tougher line," says Mr Metod Dragonja, the new minister for economic affairs.

In the face of TAM's problems, Maribor's local government officials hope that small and medium-sized husinesses will increase job opportunities for its citizens. One obstacle is that banks are reluctant to provide seed capital to support newly-established business

The Maribor Development Agency has been set up to assist small businesses. In late 1994 lt opened Slovenia's first technology park offering lowrent facilities for new highchnology companies.

The EU Phare assistance programme has provided ids to support co-operation between companies in Maribor and those in the neighbouring Austrian region of Styria. Maribor is a 30-minute drive from Styria's capital, Graz.

The development agency is also behind plans to huild a new trade and shopping centre which is due to open in 1998. Mr Prado Rodl, director of the agency, believes projects such as this should have a multiplier effect, producing at least five additional jobs for every







Tourism: by Gavin Gray

### Gambling yields jackpot

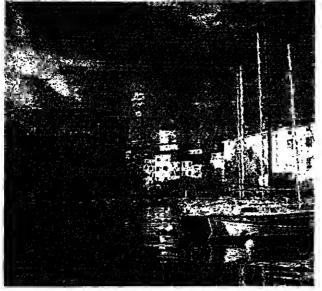
Low-cost casinos have proved more of a draw than traditional attractions

In Nova Gorica, a town in western Slovenia, the car parks start filling up on Friday afternoons as hundreds of Italians stream over the border for an evening with a difference.

They are certainly not attracted to the town by its architecture. Lying just over the border from the Italian town of Gorizia. Nova Gorica was built from scratch after the second world war. Viewed from the air its network of grey tower blocks spell out the nama Tito, reflecting the town's past as a bastion of

Since the mid 1980s, however, the town has been thriving on a distinctly unsocialist industry: cambling

Italians drive bere 130km from Venice just for an evening out, even though they have a casino in their bome town,'



Traditional resorts perform less well than gambling centres Some Zyutowic

says Mr Srdan Tovorník, director of HIT Nova Gorica, which operates two of the town's casi-

While Italy's handful of casinos cater mainly for the old

and very rich. HIT bas succeeded in adapting some of the features of Las Vegas casinos to attract younger, middleclass Italians

HIT's Hotel Perla, for

■ Renault: by Kevin Done

### Revoz opens access to east

The French carmaker sees Slovenia as a springboard for eastward expansion

slot machines including 90 in

the Captain Hook Club, the

botel's disco. Prices are lower

as well: it costs L5,000 (\$3.15) to

enter the casino in Nova Gor-

ica, compared to L26,000 (\$12.60) in Venice.

Although HIT's facilities stay

open 24 hours a day, few visi-

tors stay the night and the car

parks are empty by Saturday

This type of tourism is

becoming more and more

important to the Slovenian

economy, in 1995 the country

earned \$1.2hn from tourism, a

25 per cent rise on 1994. Casinos and other forms of gam-

bling accounted for 11 per cent

of the country's earnings last year, more than double its

income from its many botels

At the same time, the num-

ber of overnight stays in Slove-

nian hotels rose by just 0.3 per

cent to 5.9m and most of this

Increase was accounted for by

But while the casino bust-

ness has been thriving, some of Slovenia's traditional tourist

attractions are still struggling

to recover from the after effects of the break-up of Yugo-

One of the hardest hit has

heen the Postojna cave. It is

27km long - the second largest cave in the world - and one of

more than 8,000 caves in the

Karst area, a limestone region

It hecame a hig tourist

attraction during the late nine-

teenth century when a railway

line was opened from Vienna

to Trieste. Postoina hecame

Slovenia's prime tourist spot in

the 1970s and 1980s as more

and more foreign tourists vis-

ited Yugoslavia on package

holidays, Many of them would

travel to Postojna on day trips

from beach resorts in Istria,

while others would stop on the

drive down to Croatia's Dalmatian coast. In 1990, the year

before the break-up of Yugo-

slavia, there were nearly

Tourism in Croatia disap-

peared overnight in 1991 when

war broke out. It is showing

few signs of a quick recovery

and the number of visitors to

the cave reflects this. Although the number of visitors rose

from a low of 153,000 in 1991 to

260,000 in 1994, it fell again last

year when the Croatlan army's

assault on the Serb-beld Krai-

ina region scared tourists

expects the number to rise

again to 286,000, although Ms

Ksenija Dvorscak, the cave's

marketing manager, has no

illusions about its prospects of

regaining the position it

enjoyed before the break-up of

Yugoslavia, Meanwhile man-

agement is generating extra

income hy inviting foreign pot-

holers on specialist trips of

little known parts of the cave:

concerts and gatherings in the

North-west of Postojna lies

the valley of the Soca, an emer-ald-green river that is a blos-

soming centre for activity holl-

days. It is becoming popular

with rafting enthusiasts. Bovec, a small town near the

river's source, is a centre for gliding and climbing.

With the Italian border only

10 minutes away hy car and the Austrian border a 30 min-

ute drive. Bovec could quickly develop into a modern tourist

resort. But Mr Sinisa Germov-

sek, president of the Bovec

town council, cautions that

development needs to be con-

trolled to ensure that the area's natural attractions are

While a large number of the

town's visitors come from neighbouring Austria and

Italy, Mr Germovsek believes that in future visitors will come from further affeld. He

hopes to combine forces with

his counterparts just over the

border in Italy and Austria to

organise a joint marketing

campaign for this area of the

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another venture is to stage

year management

900,000 visitors.

of western Slovenia.

and guest bouses.

local guests.

slavia.

Renault of France, the only European vehicle maker assembling cars in Slovenia, is playing a growing role in the

country's economy. Revoz, its majority-owned subsidiary is the country's biggest industrial group measured by turnover and is one of its

biggest exporters. The French carmaker also dominates the local car market with a share last year of 25.7 per cent, more than double the shares commanded by its closest competitors, the Volkswa gen and Flat groups.

The level of car ownership in Slovenia - around 318 per 1,000 inhabitants - is already the bigbest in central and east Europe, an indication of the country's status as the most advanced of the transitton economies. The level of car ownership is also ahead of some European Union member states such as Greece and Portugal. The average for the EU is 418 cars per 1,000 inhabit.

The new car market grew strongly last year with a rise of 32 per cent to 61,300 from 46,400 in 1994, but the pace is likely to slow in coming years with annual growth of 2-3 per cent. says Mr Bernard Coursat.

Revoz's chief executive. The Revoz facility at Novo Mesto is Renault's only car assembly outpost in central and east Europe - its European car plants are otherwise heavily concentrated in Belgium and south-west Europe in France, Spain and Portugal - and it is Slovenia's only car

The operation is still heavily dependent on exports to west Europe, chiefly to France and Italy, but the Freuch carmaker believes that it can be used as a springboard into other markets to the east.

"Renault has made a strate gic decision to develop its presence in Slovenla," says Mr Coursat. "It wasn't a question of moving capacities from west Europe but of developing new ones in order to be closer to potential markets in central Europe and the Balkans,

He believes that long-term benefits will accrue both from Slovenia joining the Central European Free Trade Agre ment - it became a full member at the beginning of the year alongside the Czech Republic, Poland, Hungary and Slovakia - and from the reopening of markets in former Yugoslavia in the wake of the Dayton agreement.

Renault's production in Slovenia has grown strongly in the past two years, as the Revoz operation has benefitted from the recovery in new car sales in west Europe following the deep recession of 1993. Output increased by 18 per

cent to 87.405 last year from 73,980 in 1994 and the low point

of 58,276 in 1993 with exports accounting for more than 80 per cent of production. Renault currently assembles the Clio and R5 small cars in Slovenia. The local content of Renault cars assembled in Slovenia is low, at around 35 per cent, hut the Revoz plant is still impor-

tant as the main customer for the local Slovenian automotive components sector. Assembly of Renault cars began under licence in former Yugoslavia in 1969, but the French carmaker did not make its first equity investment in local production until 1989 with the creation of Revoz, In

which initially it beld a 20 per cent stake. At the beginning of the 1990s the decision to commit a significant investment to Slovenia for the production of the Renault Clio small car and to inte grate the Novo Mesto plant into Renault's European production network led the



its holding to a majority 54 per

Of the remainder 12.4 per cent is currently beld by the state-owned Nova Ljubljanska Banka, with 33.6 per cent in the hands of the state through the National Development

Despite Renault's increased commitment to the Revoz operation there has been friction in its relationship with the state, in particular over the financing of the company

It was agreed in 1992 that the equity capital of Revoz would increased with an injection of FFr150m (\$30m) in fresh capital, chiefly to help fund the heavy investment needed to start production of the new Clio small car range. "By 1996 this capital increase

has still not happened, hecause tha state has not come up with the money," says Mr Coursat. "We have had to take expensive short-term loans to make up for this lack of equity capi-

Renault claims that the government's failure to date to inject its promised share of the equity increase has also blocked attempts to gain funding from the European Bank for Reconstruction and Devel-

in recent weeks the government bas said that it will finally fund its share of the capital increase from its receipts from the privatisation process. The injection will be made in stages however, and the timetable remains unclear

ment of around FFr1hn - most importantly for a new paintshop - went ahead sup-ported by a FFr400m loan from Renault, with the first Clios Novo Mesto in May 1993.

leaving the assembly line in Renault is adament that the state should share the entre preneurial risk at Revoz, not least because of legislation that "is not encouraging to foreign

He cites two particularly irksome regulations. These make it necessary for.

investors", says Mr Coursat.

 either the chief executive or a majority of the members of the management board of joint stock companies to be Slove-

a worker's director to sit on the management board of any company with more than 1.000

employees. Renault is pleased with the productivity of its operation in Slovenia and with the quality of local output. The latter com pares favourably with its domestic plants in France, says

Gross monthly wage costs of DM1,565 (\$1,061) per employee may he two-and-a-half times the level of the Czech Republic or Hungary, but they are partly compensated for by higher productivity and they are only a third of the level of France, says Mr Coursat.

While production has riser strongly in the past two years reduced from 3,968 in 1991 to 2,905 in 1995, and the level of automation at the Revoz plant

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Retailing: by Peter Wise

### Corner shop feels the pinch

The country has far more grocers than the European average, but their future is uncertain

Turn almost any street corner in Portugal and you will find a corner shop. The local grocer will cut a slice of cheese to your liking, help you choose the hest tomatoes from a wooden crate on the pavement and carefully parcel half a kilo of dried codfish in brown paper and string. While you chat with the other customers, he may pour you a glass of wine from a barrel behind the

This might sound like paradise to consumers in more commercially developed countries who shop for homogenised, ahrink-wrapped products along crowded supermarket aisles. But it is not, apparently, what most Portuguese shoppers want.

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...

Sales by small grocers fell from 64 per cent of total retail food sales in 1989 to 34 per cent in 1994 as consumers turned away from the corner shop to big new supermarket and hypermarket chains. Portugal still has almost three times as many small grocers as the European average - 3.8 per 1,000 inhabitants compared with 1.4 for Europe as a whole - but their future is increas-

ingly uncertain. · Almost 5,000 local grocers went out of business between 1989 and 1994 and five small shops are currently being forced to close every day, with the loss 90 jobs, say commerce organisations.

. Many of the 500,000 people employed by Portugal's 200,000 supermarkets small retailers face a dramatic situation," according to Mr Vasco da Gama, president of the Portuguese Confederation of Commerce (CCP). "Their sales are falling and their earnings are often insufficient to cover their fixed costs. Many are not covered by social secu-

Strong emotions generated scale retailing have found expression in a heated national controversy over Sunday, open... priests in Oporto has issued a

centre-right government cut almost unrestricted Sunday opening hours to six hours for hypermarkets and other large stores in response to strong lobbying from small sbopkeepers. But the measure has failed to satisfy either side in an increasingly emotive debate.

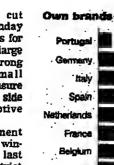
The socialist government that came to office after winning a general election last October promised to restrict Sunday opening further in return for the CPP's adherence to a national pact on wages and conditions. But a decision this month by

Mr Daniel Bessa, the economy miniater, to reduce Sunday opening for hig stores by only one more hour to five hours against 10 hours for other outlets - is unlikely to appease small shopkeepers, particularly if the government subs quently permits the opening period to be in the afternoon. Mr da Gama has called such a proposal "catastrophic".

On the other side of the argument, the hig stores defined as having an area of more than 2,000 square metres in towns or 1,000 sq metres elsewhere - say cutting Sunday opening to five hours could threaten the jobs of between 3,750 and 5,000 of the 25,000 people they employ. Weekend shopping accounts for more than half of supermarket sales, say the big chains, although fewer people shop on Sunday than Saturday.

According to Mr da Gama, 10 per cent of the big stores' total sales, which have grown to about Es800bn a year from Es230bn in 1989, could be transferred to small retailers if hypermarkets were forced to close all day on Sunday. However, market studies in Spain indicate that restrictions on Sunday opening have only a slight impact on sales, as most consumers switch their hypermarket shopping to Saturday and other days of the

Behind the controversy over by the conflict between tradi-. Sunday opening lies a deeper argument over traditional values and changing lifestyles. A group of 60 Roman Catholic manifesto opposing Sunday In January 1995, the then opening and denouncing the



Switzerland Management								
Source: Roland Berger	10%		20%	30%		40% 1993 figures		
	l food							
<u> </u>	1989	1990	1991	1992	1993	1994		
Hypermarkets Supermarkets	107 124	162 147	221 183	308 · 215	401 250	469 292		
· Other sullate	404	101	4=0	442	450	000		

770

Hypermarkets

France

5,706

5,551

5.8

Portuguese figures do not include Madeira and the Azores. Portuguese hypermarkets have a minimum of 2,000eq m, while the minimum in France and Spein is 2,500 sq metres.

57,667 39,083

32,339 94,251

Spain

1,832

7,635

12.3.

. 998 1,109 1,180

"This does not mean that

some consumers will not

remain faithful to the neigh-

bourhood store," she says.

"But small shops need to

become more competitive and

offer attractive premises in

addition to the personal touch

that distinguishes them from

the standardisation prevailing

Portugal is using European

funds to help finance a Es45bn

programme, known as Procom.

that provides grants and low

interest loans to encourage

small retailers to invest in

modernisation and training to

increase the productivity and

But small shopkeepers,

5,340

212.200

Portugal Lisbon

9.337 . "2.069.5

5,384

188,136

many of whom are elderly with

no children willing to carry on

competitiveness of the sector.

in the big outlets."

big retail groups for seducing

Total

people into consuming more. But Portuguese shoppers clearly enjoy the wider variety, convenience and lower prices that large outlets offer. Mr Bessa, who believes restricting the big stores will be of little practical benefit to small shopkeepers, acknowledges that an afternoon at the hypermarket has become a new form of weekend leisure, particularly for less affluent families.

Most analysts agree that closing their bigger competitors on Sunday is not the real answer to small retailers' problems. "Most shoppers prefer lower prices and a large variety of goods. That gives large stores the advantage," says Ms Maria Amélia Valverde, an analyst with Gesfinc, a Lisbon

Number of hypermarkets

Shop floor area (sq m)

habitants per shop

Inhabitants per sq metre

Population ("000)

Total sales area ("000 sq m

lets, say analysts, Discount stores - small shops that offer a narrow range of goods at low prices and coovenience stores, which open for long hours, are more of a threat to local grocers than supermarkets and hypermarkets, according to Ms Val-

They share the same locations, have lower prices and a modern appearance that appeals to young shoppers." there are no legal restraiots on their expansion of the kind imposed on the hig chains.

the business, have been slow

in applying for the support

available. To become more

competitive, small shops will

have to specialise further or

follow the trend for changing

into convenience stores, dis-

count shops or franchise out-

Portugal currently has 44 hypermarkets with an area of 2,000 sq metres or more. That is the equivalent of one for every 217,000 inhabitants, more than double the number of potential customers per store in Spain and seven times higher than the ratio in

France. But the government considers the hig chains, which ioclude the Sonae group. Jerônimo Martins, Pão de Açucar and Carrefour, have gained market share very fast. Tight restrictions amounting to a temporary freeze on granting licences for new stores are now expected.

This could help, rather than hinder, profits. Because there are fewer bypermarkets and labour costs are lower, Portuguese hypermarkets and supermarkets enjoy higher operating margins than in most other European countries - an average of 4 per cent in 1994 compared with 2.5 per cent in France, for example,

Restrictions oo the opening of new stores will help hypermarkets maintain high margins and competition in Portuguese retailing is likely to focus more on smaller supermarkets and discount store chains. The Sooae group's Modelo Cootinente and Jerónimo Martins, the ooly two retailers quoted oo the Lisbon stock market, are also expanding abroad to offset restrictions in the Portuguese market.

COMPANY PROFILE

Jerónimo Martins

### In gear for expansion

Jerónimo Martins, Portugal's second largest retail group. has adopted a vigorous expansion policy, hranching into international sports and leisure gear with the purchase last year of Britain's Lillywhites, and huying Poland's largest cash and carry chain.

in the Portuguese retail sector the group has consolidated its position with a healthy balance sheet and annual sales of more than Es280bn. Earlier this month it reported a 29.3 per cent increase in net consolidated profit to Ess. 1bn in 1995 from Es6.2hn in 1994. Grnwth was driven by a 29.9 per cent jump in sales to Es281.7bn.

But the group dare not sit on its laurels. Mr Alexandre chairman, says it is now looking abroad for growth because of weaker consumer demand and licensing difficulties for supermarkets

"I think the period of growth in Portugal is at an end," be says. The challenge now facing the company is profitable growth. "We bought Lillywbites firstly because of the store's specialist knowledge, hpt more importantly because the company had an expansion programme which met our ds exactly," he says.

With the acquisition last December from Forte, the UK botels group since taken over by Granada, Jeronimo Martins bas made a first step into the growth area of sports and leisure wear, aware that competition in the food sector is becoming tongber.

"We chose Lillywhites after commissioning a US market study which indicated that neckties would almost cease to exist in 10 years' time," Mr Soares dos Santos says. "The trend to more casual clothes is very strong."

Lillywhites, whose sales rose slightly to just under £20m in 1995, has provided Jerónimo Martins with a springboard from which to expand its retailing business and strengthen its weak non-food sector.

The group plans to open Lillywhites outlets in Europe. Asia, Latin America and Africa. In the UK the group plans to increase its stores from three to about 15 by 1999, placing itself in the upper end of the market. The store model for the future will be based on the Lakeside shopping centre at Thurrock,

Essex, in sonth-east England. Mr Soares dos Santos acknowledges that some investors viewed the £28.5m price that Jerónimo Martins paid for Lillywhites, twice book value, as too high. The company paid 19 times the store's 1995 profits of £1.5m. be says. But be is convinced it was justified. "They thought of Lillywhites as just a store in central London," he

abont a concept." In January 1995, Jerónimo Martins purchased Poland's largest cash and carry chain, Elektromis of Poznas western Poland, with 48 ontlets. Revenue bas since

almost doubled. When we studied distribution we looked at Latin America, a natural area of expansion for us, but we realised entry would be costly, and there was a lot of inflation and political instability in the region," he says. "Our next port of call was central Europe, We thought Poland was a particularly good market with 40m people. There was no competition and a very low price of entry."

"In 1996 we bope to make a profit in Poland," says Mr Soares dos Santos, "Last year, in our first nine months after taking over the company, we were able to break even." As art of its commitment to the Polisb operation, Jerónimo Martins is bringing young Polisb graduates to Portugal for 12 months' training.

The group bas nevertheless continued to grow in Portugal, opening Pingo Doce supermarkets and Feira Nova hypermarkets. It also acquired two casb-and-carry warebouses in the central towns of Torres Novas and Leiriá ánd a supermarket

chain in Madeira. According to a report by Gesfine, a Lisbon equity research group, the Feira Nova chain has the best growth potential in Portuguese retailing in terms of gross and operating margins. Currently it is third.

after the Modelo and Pingn Doce supermarket chains, with a 13 per cent gross margh. Its operating margins are just over 7 per cent. However, its locations have yet to face

the direct competition of other hypermarkets. Feira Nova also enjoys the Inwest wages-to-sales ratio amnng Portuguese hypermarkets. Feira Nova sbows the best

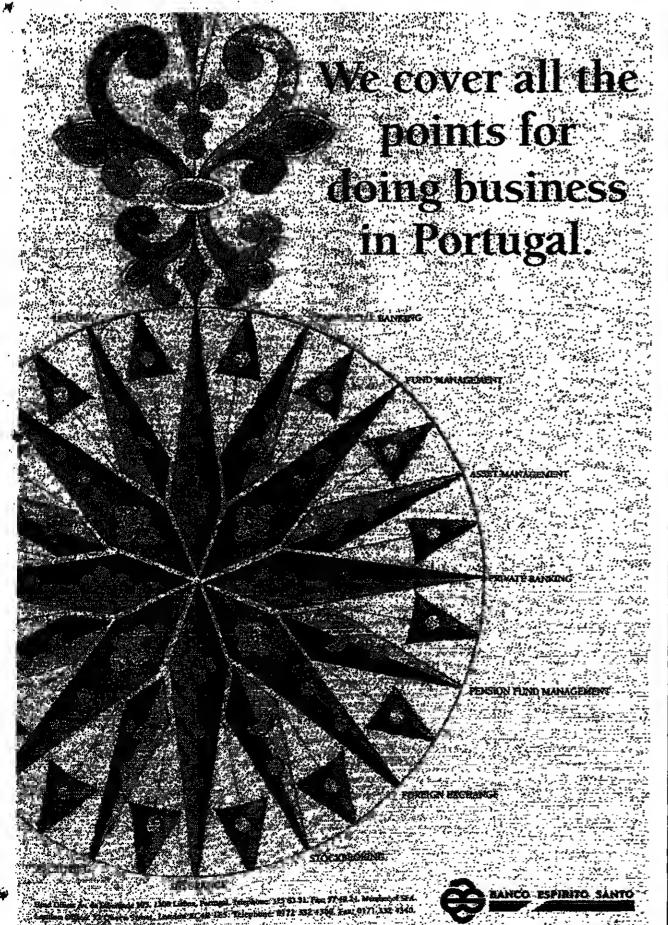
return on assets and shareholders' equity in Portuguese retailing. The chain has virtually no bank borrowings on its balance sheet while most of the other retailers have borrowed heavily.

The forecast gearing - the percentage of a company's trading profit that goes to pay interest charges - for Jeronimo Martins in 1996 shows a drop of 14 per cent from 1994 to 73 per cent. This compares with Portugal's leading retailer, the Sonae group, which is forecast to bave a 71 per cent gearing in 1996, a marked contrast to 1994's 46 per cent.

Last year the group invested Es40bn, of which Es27bn was in the domestic market. This year it is expected to spend a similar amount. Together with the Sonae group's rival Continente chain, Jerónimo Martins accounts for nearly 10 per cent of the Portuguese stock market's total capitalisation.

On the basis of projected expansion for the Pingo Doce and Feira Nova chains in Portugal, together with the and its cash and carry business in Poland, analysts forecast Jerónimo Martins' net earnings will grow by 20 per cent in 1995 and 1996.

Sarah Provan

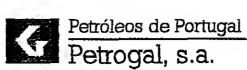


THE STATE AND PARTY PARTY MALAN PARTY LUANDA RASSAU MADETTA LAUSANNE



Living Energy.

Petrogal is the largest Portuguese company, with a turnover of US\$ 5,1 billion. The only company owning refineries in Portugal, it has a distillation capacity of 288,000 barrels/day. Through its renowned and prestigious brand Galp, Petrogal produces and distributes petrol, diesel, fuel oll, gas, jet fuels, chemicals products, bitumens and lubricants. A company in permanent growth, Petrogal has a network of over 1,300 filling stations in Portugal, Spain and Africa. Petrogal. A living Energy in Portugal.



### hen the user won't pay

Consumer revolts have undermined a central concept of private sector financing

One of the first election pledges fulfilled by Mr António Guterres, the prime minister. after his socialist government took office last November was to abolish tolls on three recently-constructed ring roads

around Lisbon and Oporto. The measure improved his popularity ratings among commuters in the two cities but also led to a loud clamour to do away with tolls on similar roads serving Coimbra. Braga and other towns.

Mr Guterres said the three ring roads were failing to achieve their purpose of relieving traffic congestion because the tolls discouraged motorists from using them as an alternative to existing routes.

But in transferring the bill for the construction and maintenance of the roads from city drivers to the general taxpayer he was also undermining a concept central to private sector financing of infrastructure projects: the user pays.

In a similar move, the gov-ernment has decided to raise the toll for crossing Lisbon's April 25 suspension bridge over the Tagus river by 13 per cent from April 1. But, through an arrangement that has not yet been made public, bridge users are later to be reimbursed with the equivalent of the increase.

Both this measure and the abolition of the ring road tolls involve renegotiating operating contracts and compensating the companies involved from state funds in a trend that analysts fear will set back the development of project finance in Portugal.

Private sector infrastructure projects were already suffering difficulties under the previous centre-right government, chiefly because of political problems in addressing the need to lift beavily-subsidised prices for public transport and other services to viable commercial levels.

The issue reached a head in 1994 when the April 35 bridge was blockaded by protesters says. objecting to a 50 per cent toll

those planned for the new Es180bn Vasco da Gama bridge, the longest in Europe. that is being constructed in Lisbon under a build operate and transfer (BOT) contract by Lusoponte, a consortium led by Trafalgar House of the UK. The group has also taken over the operation and maintenance of the April 25 bridge as part of

the agreement. In 1994, the blockade forced the government to attenuate

Pego - coal-fired power station

Oporto natural gas distribution

Setubal natural gas distribution

"Financial closing

Central region natural gas distribution

Tagus Road Bridge (Lisbon)

Project

Tapada do Outeiro - natural gas power statio

In theory at least, the Portuguese economy is ideally suited for project finance. The country lacks many important infrastructures compared with more developed neighbours. But it also has to exercise tight budgetary restraint to meet the convergence criteria for European monetary union.

Placing projects in the private sector, where the cash flow from the operation of the

Project finance: the

banker. "It has also failed to market the benefits of infrastructure operated by the private sector in a way that would help overcome difficul-

fares appears to be one of the reasons why the previous govgrant a concession for a pri-

		Investment			
Company	o Energia Energy Infrastructure Iransgès Energy Infrastructure Iransgès Energy Iransgès Energy Iransgès Energy Iransgès Energy				
Tejo Energia	Energy	1,220*			
Lusoponte	Infrastructure	1,000			
Transgès	Energy ·	1,200-1,500			
Turbogás	Energy	. 800			
Portgás	Energy	200			
Lusttanlagás	Energy	150			
Setgás	Energy	200 .			

Source: the compenies:

bridge. The service is now

expected to be financed and

run on traditional terms by the

Portugal has had more suc-

cess with project finance in the

energy sector, where consumer

tariffs will remain largely con-

trolled by the state and, at

least for industrial consumers.

were already high in relation

In 1993, Electricidade de Por-

tugal, the state power utility, sold two 300MW coal-fired

power plants at Pego, 130km

north-east of Lisbon, to Tejo

Energia, a group led by

National Power of the UK, for

Es155bn. Two further 300MW

units are expected to be added

to the plant and Tejo Energia

bas an option on their pur-

In February 1995, a consortium led by PowerGen of

the UK began construction of

Portugal's first natural gas-

fired power plant at Tapada do

Outeiro, near Oporto. The Es100bn BOT project is to be

financed mainly by a syndicate

of Portuguese and Inter-

national banks, including tha

European Investment Bank.

The introduction of natural gas

into Portugal and its regional

partially financed by the

private sector.

to the rest of Europe.

the planned toll increases for the existing bridge, obliging it to allocate an additional Es18bn of public funds to the new bridge, a partial withdrawal from the original aim of promoting it as a private sector financed project.

"The big expectations created for project finance in Por-

Placing projects in the private sector appears to make more sense than paying for them out of limited public funds

tugal have not yet been fulfilled," says a Lishon banker involved in the private financing of infrastructure projects. The attitude of the state has

been focused on relieving itself of the financial burden of big projects and transferring the risk to the private sector rather than sharing it," be says. "Projects bave been undermined by an underlying lack of commitment to the conenterprise is used to pay back the loans contracted to finance their construction, appears to make more sense than paying for them out of limited public

practice. The commuter revolt over the bridge toll, as well as subsequent toll concessions and abolitions, strike at the "user pays" principle underlying project finance.

Perbaps this indicates that the principle works only if tariffs are acceptable to the consumer. The high level of state funding for public transport systems in Portugal makes the change from subsidised to commercially-viable fares painful and politically sensitive. Lusoponte originally planned

to charge an initial toll of Es330 for a two-way crossing of the new bridge. The current toll on the existing bridge, which opened in 1966, is Es150. It is now unclear how Luso-ponte will lift the toll on the existing crossing to the same rate planned for the new bridge. Traffic is unlikely to be diverted to the new crossing if the toll on the existing bridge

is lower.

funds. However, the concept has not proved so easy to apply in

address the transition from subsidised to market prices

bigarıa.

There was

a tune

when Portugal

discovered

the world:

Now it's time to

discover us.

PORTUGAL

Lower interest rates are expected to

ties in increasing tariffs." Fear of politically unpopular

ernment reversed a decision to vately-financed Es100bn project to build and operate a railway link under the April 25 buoyant year is forecast about 200 basis points since the general election to 8.88 per cent for the letest five-year Treasury Bills (OTs). Yields for all public debt securities are

into shares Pailing interest rates, an aggressive privatisation programme and recewed confidence in emerging markets are lifting the spirits of Lisbon brokers, who forecast a buoyant year for Portuguese equities after a 1995 they would prefer to forget.

lead to a flow of

funds from bonds

The stock market: by Peter Wise

Tha Lisbon stock market's BVL-Geral index bas gained more than 8 per cent since January and analysts project an increase of up to 15 per cent hy the end of 1996 After two years of solid growth, the index fell 4.6 per cent in 1995 as trading volume on the secondary mar ket dropped 5 per cent on 1994 to Es594.7bn.

Shares suffered last year as fears that the general election in October would produce a bung parliament pushed up real interest rates. But the Socialists' convincing victory. followed in January by the alection of President Jorge Sampaio, a fellow socialist have since lowered Portugal's political risk premium.

Brokers base their optimism on an expected flow of funds from bonds into shares as a result of lower interest rates. Shares account for only about 5 per cent of the portfolios of most Portuguese pension funds," says Ms Karen Bradley, an analyst with ING Barings That level could rise to about 10 per cent this year as interest rates on bonds and government securities fall."

Yields on long-term government securities bave fallen by

now lower than in Spain. Ms Isabel Cabral, an analyst with Lisbon brokers Pincor. forecasts rates on 10-year OTs will fall to 8.5-9 per cent this year from 10.5 per cent in 1995 against a background of decelerating economic growth in Europe. She sees three-month spot market interest rates dropping to about 7.25 per cent by the end of 1996, from 8.8 per cent last year, as the Bank of Portugal follows German inter-

est rate cuts. As much as political stability, lower bond rates reflect an upbeat outlook for inflation and the public deficit. Year-onyear inflation bas fallen to record lows, at 2.5 per cent in February, compared with 4.6 per cent a year earlier. Tha government is committed to fiscal restraint aimed at lowering the hudget deficit to 4.2 per this year from 5.2 per cent in

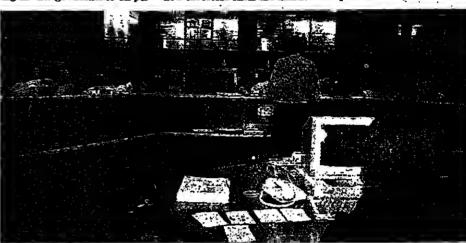
An extensive privatisation programme will also animate the equity market. Revenue for the sale of state companies is estimated to reach more than Es380bn this year, up from Es320bn in 1995. Timings are uncertain, but secondary offerings in Cimpor, Portugal's biggest cement producer, and Portugal Telecom are expected to be made by June. An initial public offer of Electricidade de Portugal will follow late this year or early in 1997.

"Privatisations will be posi tive for the market over the medium term as they will increase liquidity and the notential for portfolio diversification," says Mr António Horta Osorio, chief executive officer of Banco Santander da Negócios Portugal. "However, the balance between demand and supply may be temporarily affected over the short term as new investors enter the market

cent of gross domestic product and others divest to buy privatisation stock,"

Ms Mari Vargas, an analyst with Dillon Read Securities. says a number of companies bave rationalised operating costs as a result of the 1993 recession and are now better placed to benefit from an economic upturn. In the industrial sector, brokers point to Corticeira Amorim, the world's leading cork producer, and Barbosa & Almeida, which controls 45 per cent of Portugal's glass packaging market, as nicbe companies that are relatively isolated from weaker demand.

According to Mr Emmanuel de Figueiredo of Carnegie Portogal, bank consolidation, after the hig takeovers last year, will help profitability by easing the fall in interest margins as groups compete less aggressively during a period of internal reorganisation. Economic growth will lower bad debt provisioning requirements and increased bond revenue should improve earnings.



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AT PATES

PRIVATISATION PROFILE | Electricidade de Portugal

### The jewel in the crown

The trading floor of the Lisbon stock exchange

A global offering of Electricidade da Portugal, the holding company for Portugal's national power production, transport and istribution utilities, will the jewel in the crown of the new privatisation programme, bringing longawaited new breadth and

greater liquidity to the Lisbon stock market. The government aims to privatise 49 per cent of the group, which it expects to be

valued at about Es1,400bn, by the end of 1998, with an initial public offer of 10-20 per cent in November or December of this year. Lisbon, New York and London are the priority markets for the first offering. Frankfurt, Paris and Medrid may also be

included in the operation. A study is under way into a precise timetable for the first operation and government officials acknowledge that to organise an international road show to promote the offer among investors in lesding financial markets it

the first phase to the beginning of 1997.

Under the previous government's plans, EDP had been expecting to privatise a holding into Companhia Portuguesa de Produção Eléctrica. the power generating arm, followed by stakes in Portugal's four regional distribntion companies, rather than part of the holding company. Analysts say reformulating the sale on these lines makes early 1997 the most probable

date for the first offering. Rede Eléctrica Nacional, which runs the national power transmission grid, is expected to be excluded from the privatisation and maintained 100 per cent state-owned and run.

The approximate value of Es1,400hn for EDP is subject to the findings of independent valuations, but officials say it would be difficult for the group to be given a value that was significantly lower. Analysts consider EDP's main attractions to be high

levels of turnover, production and operational cash flow as well as its international-

isation plans and business opportunities. The company is also seen as a "safe investment, offering stable dividends of a type lacking on the Lisbon stock market. EDP's increase in profit from Ec30.5bn in 1994 to an expected Es60bn in 1995 is attributed to improved management of both customer's debts to the company and the group's own debt, which has fallen from more than Es1.000bn to below Es700bn over the past six years. The debt is expected to be reduced by a further

Es100bn-150bn this year. possibly by channelling revenue raised in the privatisation back into the company through a capital increase. Some government officials

believe EDP deserves to benefit from state support of this kind because it has borne the financial costs of creating its own pension fund and of

investing in the electrification of areas which were not economically viable without receiving state subsidies.

Such a measure would have to win the approval of Mr Antonio Sousa Franco, the finance minister, and be weighed against the benefits of using privatisation revenue to reduce Portugal's public debt to meet the convergence criteria for European monetary union.

EDP's earnings have also bill payment systems and a substantial reduction in investment in production plants. In the 1980s, the group had been steering about two-thirds of its total investment into production capacity and the rest into distribution. The proportions have now been reversed, with EDP limiting investment in production to hydro-electric plants. Concessions for new thermal plants are being awarded to the private sector.

Peter Wise

Time change: by Peter Wise

### will start brighter

The country is reverting to GMT after four years of alignment with most of Europe

Portugal's new socialist government hopes to turn night into day. By not moving clocks forward an hour to summer time as usual on March 31. the country is to revert to the same time as Britain and Ireland after four years of alignment with the rest of continental Europe.

Moving back to Greenwich Mean Time (GMT) is intended to end an unpopular "dark age" that forced most of tha country to travel to school and work before dawn. The government believes the change back will brighten the lives of most Portuguese who, to judge from the public mood, believe that interfering with time in the name of European unity was a biological, economic and political mistake.

The previous centre-right government turned the clocks forward by an hour in 1992 to equate business timetables with Spain, Germany and France, Portugal's main trading partners. The measure, considered essential for the country's participation in European monetary union, was aimed at benefiting the econ-

Amid the euphoria of Portugal's early years of EU membership, the change was readily assimilated. But public opinion has grown increasingly incensed over a move that many now consider to have taken a toll on the country's health, wealth and peace of The 1992 move to Central

European Time placed Lisbon on the same time as cities such as Warsaw, more than 2,000km further east. As a result, the son rose after 9am in mid-winter and children travelled to school in the dark for most of the year. In the summer, when clocks are moved forward one hour, it remained light until after 11.30pm, making it diffi-cult to encourage toddlers to go to bed on time.

Such upheavals can disturb biological rhythms and disrupt family life, according to psychologists. In addition to the safety risks for children and open-air workers, the time change increased school failure rates, lowered productivity and increased energy costs, say supporters of GMT.

Even ministers in the former government now accept that the 1992 change may bave been wrong-beaded. Besides the practical issues, many Portuguese believe the country sacrificed part of its individuality and cultural identity by adjusting to "Brussels time", an attitude that reflects a general cooling of Portugal's earlier enthusiasm for Europe.

The argument in favour of aligning financial market timetables with continental Europe has also lost weight. "In many ways, the more in line we are with London and the US the better." says Mr Pierre Boulle, head of research at Lisbon brokers Fincor. "That is where most of the financial investment in Portugal comes from."

Airlines have been the only

vocal opponents to change, arguing that until schedules could be renegotiated soma departures would become too early to be commercially via-

Reflecting public sentiment, Mr Antônio Guterres, the prime minister, made an election pledge to re-examine Portugal's time zone. Soon after taking office last Nov-ember, he asked the National Time Commission, a group of scientific experts appointed by central and regional government, to study a possible change in February, the Commission formally recom-

The 1992 change moved Por tugal 2 hours 36 minutes ahead of solar time. This meant that when the sun was directly overhead - midday in solal time - it was 1.36pm in Portu-gal in the winter and 2.36pm in

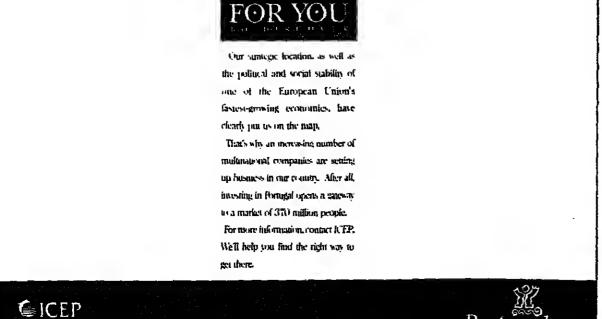
summertime. Even though Portugal is west of Greenwich, implying being behind GMT, the country was placed on the same time as cities thousands of kilometres further east. However, from this spring, Portugal will trade harmony with Brussels, Bre-scia and Berlin for breakfast in daylight

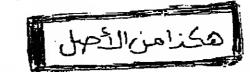
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#### **CURRENCIES AND MONEY**

#### MARKETS REPORT

### Mad cows venture into foreign exchange markets

By Philip Gawith

BAY MARCH 361

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SEE SHOWING

and others demand to be a second with Dilloc Residence and the second se The pound yesterday fell sharply as the ramifications of the "mad-cow" disease scare spilled over into the foreign exchange markets.

It lost nearly two plennigs in DM1.4777, from DM1.4753. early European trade, slipping to an intra-day close of DM2.3458 from Friday's London close of DM2 2643. It later recovered slightly to finish at and its partner the FDP did DM2.2536. It finished a cent lower against the dollar at \$1.5251.

fered in early trade and the pound subsequently traded steadily for most of the day. Volumes were fairly thin, in keeping with the generally quiet trading conditions which

continue to prevail.

The other move of cote was the slight strengthening of the yen against the dollar. This was prompted by the Japanese opposition party ahandoning its campaign against the government's plan to resolve the

1.2141

Jusen loan crisis, and the eas- be done" mode. As one analyst and Taiwan following the weekend presidential poll.

the D-Mark it closed at to a possible 4.5m having to be The D-Mark was slightly easier in Europe following the at Chemical Bank in London, three state elections in Germany where the ruling CDU

well. This was seen as being negative for the D-Mark, which finished at FFr3.422 against the Most of the losses were suf- French franc from FFr3.432. ■ There was little logic to the market selling sterling, beyond the fact that saturation cover

age scare trade	in ed ers	the some into	wee in som	kend vestor ething	pres s an
E Po	und	in Non	y Yorl	k	
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11.7922 -0.0744 878 - 984 -11.8702 11.7704 11.7841 0.8 11.7725 0.7 11.7827 0.3 52.0424 -0.985 384 - 484 53.2930 51.9230 -0.0158 148 - 252 -4.7364 4.7004 -0.0158 148 - 252 -4.7364 4.7004 -1.8708 730 - 978 163.560 181.440 181.094 5.6 159.539 5.7 153.184 5.4

-0.0097 135 - 147 1.2230 1.2103 1.2128 1.3 1.2098

ing nf tensions between China noted, sterling rose on Friday afternoon when the talk was of killing the entire national herd The dollar finished at of ilm cattle, yet fell yesterday Y106.13, from Y106.745. Against when that figure had been cut

> Mr David Cocker, economist said: "Had there been other factors for the market to consider, the "mad cow" issue would not have been so domi-

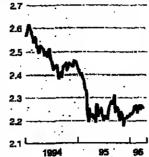
killed.

While gilt prices recovered later in the day after a calming statement from Mr Stephen Dorrell, the health secretary. sterling did not follow suit.

■ The D-Mark's weakness was in part attributable to the poor performance by the SPD in the weekend elections. The SPD had campaigned on a mildly anti-EMU ticket, and a good showing would have heen taken as a severe blow to the single currency project. But Mr David Bloom, economist at

136.9

mean that inflation fears will lowing paradox: "Germans fe Against the D-Mark (DM per (1) when it meets oo Thursday.



HSBC Markets, said: "The campaign was not explicitly anti-EMU enough to read the SPD's poor showing as a vote for or against monetary union."

Source: FT Extel.

was oegative for the D-Mark, years before we will be in the then regional inflation data same situation again."

not be an obstacle to the Bund-

One development on the subject of EMU yesterday came in the form of comments from Mr Hans Tietmeyer, the Bundesbank president, who said in a TV interview that there was "no difference of view between us and the federal government" (over monetary union). Last week there was speculatioo in the German press that Mr Tietmeyer preferred some sort of delay to the single cur-

Speaking in Brussels, Mr Alfons Verplaetse, the Belgian central bank governor, warned against delaying EMU. "I am coovinced that if EMU does not start on January 1, 1999, we If the weekend political news will have to wait another 20

there is not enough of the esbank council cutting rates Bundesbank in the Europea ceotral bank. Other European fear there is too much of the Bundesbank in the ECB." Th argue, is that the Euro will b D.Mark. For other EU cour tries, though, with high uner ployment, the worry is the "the new ECB, cast in the

Mar 25		ē	5
Czects Rp	41.4615	- 41.5012	27 1950 - 27.2050
Hangary	218,109	- 218.314	143,080 - 143,110
Tribe.			3000.00 - 3000.00
Kennali			0.2886 - 0,2993
Poland.			2,5790 - 2,5810
AUSSIZ			4841.00 - 4844 00
UAE	5.5992	- 5.6032	3.6726 - 3.6730

DOLLA	R SPO	OT FOR	WARD	AGAINS	THE	DOLLA	R					3,00	
Mar 25		Closing mid-point	Change on day	Bid/otter spread	Day's	mid low	One mo	enth SePA	Three mo	nths %PA	One ye	ner J %PA	.P Morga index
Europe													
Austria	(Sch)			898 - 946		10.3610	10.3743	2.0	10.3387	2.1	10.1772	21	105.8
Belglum	(BFr)	30.3700		500 - 900	30.3960		30.317	21	30.2105	2.1	29.73	7.1	107.8
Denmark	(DKr)	5.7065		050 - 080	5.7081	5.6910	5.7015	1.1	5.6915	1.7	5.714	~D.1	108.0
Pinland	(FM)	4.6056	+0.0088	018 - 093	4.6100	4.5935	4.5831	1.7	4.5871	1.6	4.5416	1.4	82.8
France	(FFr)	5.0578	-0.005	585 - 590	5.0625	5.0442	5.0522	1.3	5.0425	1.2	5.0003	1.1	108.7
Germany	(DMQ	1,4777	+0.0024	774 - 780	1.4760	1.4728	1.4752	2.0	1.4701	21	1,447	2,1	108 5
Greece	(Dr)	240.840	-0.33	780 - 900	241,780		242.515	-8.3	245.865	-83	259.84	-7.9	65.9
reland	(12)	1.5723 1559 85	-0.0079 -2.8	715 - 730 959 - 010	1.5800	1.5685	1.5728	-0.3	1.5731	-02	1.5625	0.6	-
tely Luxembourg	(L) (LFr)	30,3700	+0.05	500 - 800	1563 07 30,3960		1565.9 30.317	-4.7 2.1	1577.45 30.2105	-4.5 2.1	1618.35 29.73	-3.8 2.1	73.3 107.8
Vetherlands	(FI)	1.6537	-0.0023		1.6545	1.6492	1.6506	2.2	1.6443	2.1	1.6172	22	107.7
Vorway	NKn	8.4261	+0.0075	223 - 298	6.4300	8.4067	6.4231	0.6	6.4176	0.5	6.3811	0.7	97.8
Portugal	(E9)	152.650	+0.15	600 - 700	152,940		152,965	-2.5	153.555	-2.4	155.7	-20	95.5
Spain	(Plai)	124.200	+0.215	170 - 230	124.250		124.54	-3.3	125.21	-3.3	127.58	-2.7	81.7
nebews	(SKY)	6.6257	-0.0051	211 - 302	6.6393	6.6113	6.636B	-2.0	6.6542	-1.7	6.6962	-1.3	68.4
Switzerland	(SFri	1.1921		816 - 925	1.1933	1,1885	1 1885	3.6	1 1813	3.6	1.1501	3.5	113.9
Ж	(2)	1.5251	-0.0097	248 - 255	1,5354	1.5222	1.5243	0.6	1.5226	0.6	1.515	0.7	83.4
cu		1.2562	+0.002	559 - 564	1,2589	1.2547	1.257	-0.7	1,2586	<b>8.0</b> -	1.2674	-0.9	
SDR† Americas	-	0.68534	•					-	•	•	-	-	•
Argentina	(Peso)	1.0000		999 - 000	1.0000	0.9999							
3raz#	(AS)	0.9878	+0.0009	877 - 879	0.9883	0.9868		-		-		-	
Canada	(CS)	1.3616	-0.0009	813 - 618	1.3633	1.3591	1.3614	0,1	1.3617	0.0	1,3645	-0.2	83.6
	w Peso)	7.5445	-0.014	420 - 470	7.5470	7.5270	7.5468	-0.4	7.5499	-0.3	7.5548	-0.1	-
JSA	(\$)	-		-		-	-	-	-	-			96.7
Pacific/Midd													
ustralia	(AS)	1.2925	+0.0052	922 - 930	1.2935	1.2905	1.2945	-1,8	1.298	- 1.7	1.3167	-1.9	92.2
long Kong	(HKS)	7.7323		318 - 328	7.7330	7.7315	7.733	-0.1	7,7348	-0.1	7.7618	-0.4	-
nda	(F(s)	34,1250	-0.425	000 - 500	34.7500		34.275	-5.3	34.58	-5.3	36.05	-5.8	-
erael .	(Shk)	3.0950	+0.0094	925 - 975	3.0875	3.0850							
apan	m	106,130	-0.615	080 - 180	106,680		105.685	5.0	104,785	5.1	101.045	4.8	136.4
Anlaysia	(MS)	2.5435		430 - 440	2.5440	2.5423	2,5444	+0.4	2.5505	-1.1	2.574	-1,2	-
iew Zealend	(NZ3)	1.4552		545 - 560	1.4564	1 4544	1.4583	-2.8	1,4641	-2.4	1 4887	-2,3	•
hilippines	(Peso)	28.2000	-0.01	500 - 500	26.2500		0.7500		0.7545		9.7549	ς.	
Sauci Arabia Singapore	(55)	3.7504 1.4070	+0.0027	502 - 506 065 - 075	3.7507 1.4104	3.7502 1.4060	3.7508 1.4035	-0.1 3.0	3.7515 1.3975	-0.1 2.7	3.7548 1.372	-0.1 2.5	
outh Africa	(Ft)	3.9348	+0.0027	340 - 355	3.9360	3.9215	3.9636	-8.8	4.0151	-8.2	4,2383	-7.7	•
outh Korea	(Won)	782.050	-2	000 - 100	783.500		785.05	-4.6	788.55	-3,3	807.05	-3.2	•
alwan	(T\$)	27.2640	-0.035	580 - 700	27.2700		27,284	-0.8	27.324	+0.8	30,100	-34	:
arwan hailand		25,2500	-0.035	400 - 600	25,2600		25,2487	-4.7	25,5525	-4.8	26.435	-4.7	•
MEGNICI	(Bt)			the Dollar Spa									-

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									_					
					WORL	Tאו כ	ERE	ST R	ATES					
		_			MONEY	RATE	s							
na	<b>,</b>	10	1	•	March 25		Over night	One	Three mins	Six mits	One	Lomb. inter.	Dis.	Repo
110	11	V	7L	<b>3</b>	Beigium		3 <u>8</u>	313	312	313	31.	7.00	3.00	-
			_		Prance	•	3 <u>2</u> 32	3년 4월	38 48	3 <u>4</u> 4 <u>8</u>	3 id 4 in	7.00 3.90	3.00	5.60
				ans fear of the	week age Germany	9	44 33	4 <u>1</u> 3 <u>1</u>	4¼ 3&	48 38	4 % 3%	3.80 5.00	3.00	5.60 3.30
Bunde	esban	k in t	he E	uropean	week ago	9	34	3 <u>1</u> 5 <u>1</u>	3 <u>4</u> 54	3 <u>8</u> 53	3달 5길	5.00	3.00	3.30 6.25
				ropeans	week age	•	51 91	5 <u>1</u>	5% 9%	5 <u>4</u> 84	5% 84	-	9.00	8.25 9.98
Bunde	sban	k in th	e EC	B." The	week ago		97	95	934	9 <u>4</u> 3%	8 <u>12</u> 3\4	-	8.00	6.67 3.30
				ns, they	Netherland week og	9	3 <u>3</u> 3 <u>3</u>	34 34	34 34	32	35		3.00	3.30
				will be nf the	Switzerland week age		1! <u>+</u> 23	134 134	12 1%	13 134	1 <u>8</u> 2	5.00 5.00	1.50 1.50	Ξ
-	_			J coun-	US week aga	,	5¼ 5₩	5% 5%	5% 5 <u>4</u>	5% 58	54 51	-	5.00 5.00	Ξ
			•	h unem- is that	Japan week ago		2	% %	72	2	≅ %	-	0.50 0.50	-
"the	new	ECB.	cast	in the	■ \$ LIBOR									
				nk, will the task	Interbank i week age	_	=	5 <u>)</u> 2 5 <u>1</u> 2	5.4 5.4	55. 5%	5 <u>8</u> 5%	Ξ	Ξ	-
		ипет			US Dollar	CDs	-	4.98	5.10	5.18	5.40 5.43	-	-	-
				S inves- l about	Week ago	d Ds	Ξ	4.98 4%	5.16 4%	5.24 4%	42	Ξ	_	Ξ
				a senior	SDR Unker		_	4% 3%	48 32	48 31	4% 3%	Ξ	_	Ξ
				anley in the US,	S LIBOR Inter		rties er	3¼ monthemad	3å rates for 5	3 <u>11</u> 10m aug	3Vr ted to the m	- market by i	our rete	- rence benka
				U a lost	et 11am each	h working o	they Th	e banks	are: Bankı	ers Trust	Bank of 1	roleyo, Ba	rcleys o	and National
cause.	7				EURO (	Shown lor CURRE	In do	mestic Mi	ERES	T RA	TES	SUH LINE	ed Depo	sers (Da).
E OTHE	R CU	RENCE	<b>.</b> 5		Mar 25		nort	7 day		One	Three	Sb		One year
Mar 25 Caecti Ro	41,4615	€ - 41.5012	27 1950	5 3 · 27.2050	Belgian Fran		· 314	3H - 3	313	- 3&	333 - 32	3}} -	3,3	315 - 313
Hangary	218,109	· 218.314	143.080	3 - 143.110 - 3000.00	Danish kroni D-Mark		- 312	414 - 4 31 <sub>2</sub> - 3	132 436 314 314	- 4 <sup>1</sup> 4 - 3 <sup>1</sup> 4	44 46	43 <sub>8</sub> - 33 <sub>9</sub> -	4년 3년	4급 - 4일 3월 - 3급
Kentralit Poland	0.4556	- 0 4566 - 3,9373	0.2886	0.2993 0 - 2.5810	Dutch Guilde French Franc	y 34	- 34	3 4 - 3 4 3 - 3	14. 3%	. 32	31 - 34 44 - 44	3/4 -	3,2	311 - 3.5 4.6 - 4.4
Aussia	7380.59		4841.00	· 4844 00 · 3.6730	Portuguese I Spanish Pes		· 3년 - 7일 - 8년	7% - 7 843 - 8	13 TS	- 712	7% - 75 81 - 87	755 -	7段	7 4 - 715 8 - 6
-					Sterling	5	- 512	512 - 5 23a - 2	8 38	515	6 <u>1</u> 4 - 8	642 -		6 2 · 6 2 2 · 13
			999		Swiss Franc Can. Dollar	412	- 1 <sup>5</sup> 8 - 4 <sup>5</sup> 9 - 5 <sup>1</sup> 4	4 2 - 4	13 <sub>1</sub> 5	4%	514 - 414	54 -	5 <sup>1</sup> 9	5,2 5,2 5,4 5,7
Three mo	PaPA	One ye	er J	P Morgan index	US Dollar Italian Lira	10,5	- 9,2	5 ( · 5	12 8%		84 96	84 .	9 <sup>1</sup> 2	812 - 91
					Yen Asıan \$Sing	2,5	- 2%	212 - 2	2 216	- 2,7	212 - 23	212 -	값 2월	24 25
10.3387 30.2105	2.1 2.1	10.1772 29.73	2.1 7.1	105.8 107.8	Short term rat	MONTH F	for the MBOR	US DOM	es (MAT	others: IF) Pant	two days n	offered	rate (F	Fr <u>5</u> m)
5.6915 4.5871	1.7 1.6	5.714 4.5416	0.1 1.4	108.0 82.8		Open	Selt		hange	High	Low			Open int
5.0425 1.4701	1.2	5.0003 1,447	1.1 2.1	108.7 108.5	Jun Sep	95.41 95.41	95. 95.	50	+0.14 +0.14	95.53 95.52	95.51 95.41	8,7	420 781	53,926 45,540
245.865 1.5731	-83 -02	259.84 1.5625	-7.9 0.6	65.9	Dec	95.30	95.	.39	+0.13	95,40	95.30	3 4,0	656	25,117
1577.45	-1.5	1618.35	-3.8	73.3	E THREE	MONTH E	URO	HARK F	UTURES	(UFFE)	r DM1m p	oints of	100%	
1.6443	2.1	1.6172	2.1	107.8		Open	Sett		hange	High	Low			Open int.
6.4176 153.555	0.5 -2.4	6,3811 155.7	0.7 -20	97.8 95.5	Jun Sep	96.75 95.62	95.7 96.0		+0.05 0.08	96.80 96.70	96.75 96.62		020 596	233020 231518
125.21 6.6542	-3.3 -1.7	127.58 6.6962	-2.7 -1.3	81.7 68.4	Dec Mar	96.37 96.05	96.		-0.08 +0.09	96.45 96.13	96.37 96.05		107 002	171894 114798
1 1813 1.5226	3.6 0.6	1.1501 1.515	3.5 0.7	113.9 \$3.4	E THREE				TURES (			oints of	100%	
1,2586	-0.8	1.2674	-0.9	: !	Jun	Open 90.67	Sect		hange +0.03	High 90,70	90.69		. vol 86	Open Int. 39553
					Sep	81.04	81.0	. 70	-0.05	81.09	91,04	26	82	21367
1.3617	.:		-0.2	83.6	Dec Mar	91.09 81.00	91.1 81.0	01 .	+0.07 -0.07	91.15 81.03	91.09 90.98	2	96 10	16376 7582
7.5499	0.0 -0.3	1,3645 7,5548	-Q.1	- {	THREE!			_				_		
	•			96.7	,lun	Open 98.21	Sett p		hange -0.07	High 98.26	98.21		vol 71	Open Int. 28866
1.298 7.7348	-1.7 -0.1	1.3167 7.7618	-1.9 -0.4	92.2	Sep Dec	98.09 97.87	98.1	18 .	-0.10 -0.09	98.17 97.90	98.09 97.85	37	82 25	12893 8620
34.58	- 5.3	36.05	-5.8	: ]	Mar	87.55	97.5	55 .	-0.07	97.57	97.54	14	69	1763
104,785		101.045	4.8	136.4	THREE I		-					-	aml d	Oven int
2,5505 1,4641	-1.1 -2.4	2.574 1 4887	-1,2 -2,3	:	,lun	Open 95.40	Sett p 95.4	15 .	hange -0.05	High 95,45	85.40	11	19	Open int. 9382
3.7515	-0.1	3.7548	-0.1	:	Sep Dec	95.39 95.15	95.4 95.2		-0.09 +0.10	95,43 95,21	95.39 95.15		17 17	3823 3039
1.3975 4.0151	2.7 -8.2	1,372 4,2383	2.5 -7.7	:	Mer • LIFFE luture	94.67	94,9	97 .	-0.08	94.91	94,87		5	1761
788.55 27.324	-3,3 +0.8	807,05	-3.2	: 1	# EUROLI				000m pol	nts of 1	00%			
25,5525	-4.8	26.435	-4.7	-	Strike Price	Jun		CALLS	De	·	.ban	- PUT		Dec
phices Forward in 4 Stradings.	dices Ma	or 22: Base	average	1990×100.	9050	0.42		5ep 0.82	0.8	5	Jun 0.25	Sир 0.25		0.34
				J	9075 9100	0.28		0.65	0.7 0.6		0.36 0.50	0.33 0.42		0.42 0.52
					Fed. wol. Intel		Dame 2							

	South Korea (	Won)	1192.67	-10.6	0 224 -	309 121	3,75 119	0.51	-	•			•		Sour	th Korea	(Won)	782.050	-2
	Taiwan	(TS)	41.5790	-0.319	5 575 -	004 41,	8134 41.	5104	-						. Tak	lan.	(73)	27.2640	-0,035
	Thaftend	(194)	38,5075	-0.261	6 809	<b>341 38.</b>	7640 38	4510	•	-					The	land	(Bt)	25.250Q	-0,01
	7 Retest for Mar 22, but are implied by Mid-rases in both if not be published or published but and a	teument i ha and i r Friday,	nturnat n he Dottar April 5th	Spot table Spot table Dechange	g index to a plantead for reses for	cultured by rom THE W	WREUTER	of England S CLOSIN	G SPOT R	ATES, Som	= 100, inde q values an	o rounded e rounded	1/2/96, Bi by the F.T.	The FT wa	d The l	on but are t	noted by defend	ed on Fred	
П	CROSS R	ATES	S AN	D DEF	IVATI	VES													
	EXCHANGE	E.CA	OSS	RATE	\$														
H	Mar 25		BFr	DKr	FFr ·	DM	3£_	L	Ħ	NKr	Es	Pta	SKr	SFr	3	_C\$	5	Y	Ecu
	Belgium	(BFr)	100	18,79	16.66	4.866	2.094	5138	5.445	21.16	502.6	408.8	21.80	3.925	2.159	4.482	3,292	349.5	2.621
	Denmark	(DK/)	53.22	10	6.862	2.500	1.115	2734	2.898	11,26	267.5	217.6	11.61	2.089	1.149	2.385	1.752	186.0	1.395
	France	(FFr)	80.05	11,28	10	2.922	1.258	3064	3.270	12.71	301.8	245.6	13.08	2.357	1,297	2,693	1.977	209.9	1.574
	Germany	(DM)	20.56	3.861	3.422	1	0.430	1065	1.118	4.348	103.3	84.03	4.481	O.BQ7	0.444	0.921	0.677	71.83	0.539
	fretend	(FET)	47.75	6.972	7.952	2.324	1	2453	2,600	10.10	240.0	195.3	10.41	1.874	1.031	2.140	1,572	168.9	1.252
	jialy .	(4)	1.947	0.366	0.324	0.095	0.041	100.	0.105	0.412	9.786	7.981	0.425	0.076	0.042	0.087	0.064	6.805	0.051
	Notherlands	(FI)	18.37	3.451	3.058	0.894	0.385	943.3	1	3.886	92.31	75.10	4.005	0.721	0.397	0.823	0.605	64.20	0.481
	Norway	NKO	47.27	8.881	7.870	2,300	0.990	2428	2.573	10	237.8	193.3	10.31	1.855	1.020	2118	1.556	165.2	1,239
	Portugal	(E-4)	18.90	3.738	3.313	696.0	0.417	1022	1.083	4.210	100.	81.36	4.338	0.7B1	0.430	0.892	0.655	89.54	0.521
	Spein	(Pta)	24.46	4.595 .	4.072	1.190	0.612	1256	1,332	5.174	122.6	100.	5.333	0.960	0.528	1.096	0.805	85,48	0.641
	Sweden -	(SKO	45,88	8.817	· 7.637	2.232	0.960	2355	2.497	9.703	230.5	187.5	10	1.800	0.990	2.055	1,510	160.3	1.202
	Switzerland	(SFr)	25.48	4.787	4.243	1.240	0.534	1309	1.387	5,391	128.1	104.2	5.556	1	0.550	1.142	0.839	89.05	0.668
	UK	. (03)	46.32	8.703.	7.713	2.254	0.970	2379	2.522	9.800	232.8	189.4	10.10	1.818	1	2.076	1,525	161.9	1,214
	Canada	(CS)	22.31	4.192	3.715	1.086	0.467	1146	1.215	4.721	112.1	91.23	4.865	0.876	0.482	1	0.735	77.99	0.585
	US .	(5)	30.37	.5.707.	5.058	1.476	0.636	1560	1.854	6.426	152.7	124.2	8.623	1,182	0.656	1.361	1	108.2	0.796
	Japan	m	28.61	5.376	4.784	1.392	0.599	1469	1.558	6.053	143.8	117.0	6.238	1,123	0.518	1.282	0.642	100.	0.750
	Scu	. "	38.15	7.169	6.353	1.857	0.799	1960	2.077	8.072	191.8	156.0	8.320	1.498	0.824	1.710	1.256	133.4	1
-	Dunch Kroner Emo	ch Front	Moreone	den Konner	and Swe	dish Kmmo	ner 10- F	elabo Fra	nc. Yen. E	scude Lieu	med Percent	a per 100.							

Scu Dunsh Kr	oner, French F	38.15 ranc, Nonwe		6.363 1	.857 0.7 Kronor per	99 1960	2.077	8.072 cudo. Lira s	191.8 and Pusot	156.0 a per 100	8.320	1.498	0.824	1.710
R D-864	URK PUTUR	ES (IMM) D	M 125,000	per DM					PANES	E YEN F	UTURES	(MMI) Yen	12.5 per \	fon 100
	Open	Lettest	Change	High	Low	Est. vol	Open int.			Open	Letest	Change	High	Low
Jun	0.6818	0.6800	-0.0002	0.6820	0.6800	13,338	53,436	Jun	· c	.9502	0.9539	+0.0077	0.9545	0.948
Sep		0.6845	+0.0006	0.6845	_	9	2,105	Sep	0	19647	0.9647	+0.0072	0.9647	0.964
Dec		· 0.6876	+0.0002	0.6878	-	1	196	Dec	0	.9768	0.9765	-0.0077	0.9768	0.876
SWIS	S FRANC PO	TURES (F	VIM) SF 12	5,000 per (	BFr .			<b>=</b> ST	ERLING	rurus	BES (IMM)	062,500 p	2 1	
Jun	0.8447	0.8462	+0.0025	0.8476	0.8447	8,603	26,897	Jun	1	.5330	1.5202	-0.0132	1.5348	1.520
Sep	_	0.8545	+0.0026	0.8545	_	76	565	Sep	1	.5170	1.5190	-0.0124	1.5208	1.517
Dec		0.8594		-	-	2	504	Dec		-	1.5170	-0.0124	-	1.517
-	_	Name and Address of the Owner, where						ENS	FIRE	OPE	AN CU	RRFN	Y UNI	T PAT

LOND	ON MO	MEA H	/1F2				
Mor 25		Over- night	7 days notice	One · month	Three-	Sb: months	One
interbenk :	Sterling	64 - 52	8 - 54	64 - 512	64 - 6	8 <sup>1</sup> 8 - 6	6% - 64
Starting Ci		-	-	8 - 512	6 - 53	6 - 533	8 - 533
Treesury E		-	-	516 - 516	5弘 - 5發		-
Bank Bals				5號 - 5%	54 - 512	578 - 513	
	onty daps. Warket daps	5% - 53 6 - 52	5월 - 5월 5월 - 5월	8 - 57	616 - 519	61 - 8	- 64 - 64
	•						
A clearly	g bank base	lending rap	6 per cen	t from Merc	n 8, 1996		
clearin	g bank base	landing rap	6 per cen Lip to 1 month	t from Merc 1-3 month	th 8, 1996 3-6 months	· 6-9 months	9-12 months
Certs of To	ax dep. (£10	0,000)	Up to 1 month 2 <sup>1</sup> 2	1-3 month 5 <sup>3</sup> 2	3-6 months 5 for each 1-kg	months 5 ·	months 4¾
Certs of To Certs of Tar And, tender Feb 28, 199 gate for pen from March	an dep. (£10 dep. under £ rate of discou 6. Agreed this od Feb 1, 199 1, 1996	0,000) n100,000 is 2! st on Mer 22 iso period & 6 to Feb 29,	Up to 1 month 2 <sup>1</sup> 2 20c. Deposit 5.7758pc. I isr 25, 1986 1996. Schem	1-3 month 5 <sup>1</sup> 2 a withdrawn CCGD fixed in to Apr 23, 19 ws IV & V 5.3	9-6 months 5 for each 1-up se Stig. Expo 98, Schemes 28pc. Pinano	months 5 - c. at Finance. M	months 434 take up day 2. Autorence 9 Pade 6.5p
Certs of To Certs of Tar Ava. tender Feb 28. 199 gas for pen- trom March	ax dep. (£10 c dep. under £ rate of discou 6. Agreed rate of Feb 1, 199 1, 1996 EMONTH 5	0,000) n100,000 is 2! st on Mer 22 iso period & 6 to Feb 29,	Up to 1 month 2 <sup>1</sup> 2 20c. Deposit 5.7758pc. I isr 25, 1986 1996. Schem	1-3 month 5 <sup>1</sup> 2 a withdrawn CCGD fixed in to Apr 23, 19 ws IV & V 5.3	9-6 months 5 for each 1-up se Stig. Expo 98, Schemes 28pc. Pinano	months 5 - c. at Finance. M	months 434 teles up day 2. Autorence 9 Rade 8.5p
Certs of To Certs of Tar Ant. tender Feb 28. 199 200 for per- trom March	ax dep. (£10 c dep. under £ rate of disco. 6. Agreed val od Feb 1, 1986 1, 1996 1 architet & Open	0,000; 1100,000 is 2! 110 pm Mar 22 1 for period & 6 to Feb 29,	Lip to 1 month 21 <sub>2</sub> 20c. Deposit 5.7788pc. I lar 25, 1986 1998. Scherr	1-3 month 5 <sup>3</sup> 2 a withdrawn 5CGD fleed in to Apr 23, 19 ws IV & V 6.3 (LIFFE) £5	9-6 months 5 for cash 1 <sup>1</sup> -p ate Stig. Expo 96, Schemes 28pc. Pivano 00,000 poin	months 5 · C. At Phenos. M. B & GI 7.48pp be House Bas des of 100% Est. vol. 10459	months 434 leke up day 2. Autorence 6 Rate 6.5p  Open Int 90280
Certs of Til Certs of Tau Ava. tender Feb 28, 199 man for pen- trom Merch Transman	ax dep. (£10 c dep. under £ rate of discou 6. Agreed rate of Feb 1, 199 1, 1996 EMONTH 5	0,000; r100,000 is 2 <sup>1</sup> yz ori Mar 2 <sup>2</sup> s for period & 6 to Feb 20, FTERLING	Up to 1 month 2 <sup>1</sup> 2 20c. Deposit 5.7758pc. I ter 25, 1996 1996. Schem FUTURES Change	1-3 month 5-1 <sub>2</sub> a withdrawn 5CGD fixed in to Apr 23, 19 was IV & V 5.3 (LIFFE) ES High 88,94 93,75	9-6 months 5 for each 1 <sup>1</sup> -sp se 8tig. Expe 83. Scherman 238pc. Financ 100,000 point Low 93,91 93,68	months 5 · c. xt Phence. N 8 6 81 7.48pp b House Bas ds of 100% Est. vol · 10459 9926	months 43; leice up day 2. Autorence 6 Rate 8.5p  Open Int 80280 58141
Carts of Til Carts of Tar Ava. tender Feb 28. 199 able for per trom March THATAGE	ax dep. (£10 c dep. under £ rate of discou 6. Agreet 1, 186 1, 1896 E BEONTH 8 Open 93.92	0,000; 100,000 is 2; re ori Mer 22; 6 to Feb 20, 87EPLING Seft price 93,94	Up to 1 month 21 <sub>2</sub> 2pc. Deposit 5.7758pc. I ter 25, 1995 1996. Schem FUTURES Change +0.01	1-3 month 532 a withdrawn 5CGD feed in to Apr 23, 14 was IV & V 5. (LIFFE) ES Högh 88,94	3-6 months 5 for each 1 <sup>1</sup> -p to 88 p. Box Bell, Box Bell	months 5 art Finance. M. it 6 87 7.48pc be House Bass sts of 100% Est. vol. 10459 9926 12525	months 43g take up day 2. Autorence Pade 6.5p Open int 80280 56141 49873
Carts of To Carts of Tar Ave. tender Feb 28, 199 Issae for pen- trom March Thimsas	ex dep. (£10) c dep. under £ rate of discou d. Agreed rate od Feb 1, 1996 E MONTH & Open 93.92 83.72 - 93.35	0,000) 100,000 is 2: ret on Mer 22 is for period M 6 to Feb 29, TEPLING Self price 93,94 93,74	¿lp to 1 month 2 <sup>1</sup> 2 2pc. Deposit 5.7758pc. I far 25, 1995 1996. Schem FUTURES Change +0.01 +0.01	1-3 month 5-1 <sub>2</sub> a withdrawn 5CGD fixed in to Apr 23, 19 was IV & V 5.3 (LIFFE) ES High 88,94 93,75	9-6 months 5 for each 1 <sup>1</sup> -sp se 8tig. Expe 83. Scherman 238pc. Financ 100,000 point Low 93,91 93,68	months 5 at Pharmon. M. B. & Bl 7.48pt b House Ban dts of 100% Est. vol 10459 9926 12525 4557	Months 43 keles up day 2. Autorence 6 Rate 6.5p  Open Int 80280 56141 49873 33978
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9375	0.25	0.27	0.27	0.06	0.28	0.62
3400	0.10	0.15	0.18	0.16	0.41	0.78
1425	0.03	80.0	0.12	0.34	0.59	0.97
Sat, vol. notal	, Calls 4979 Pur	s 537. Previou	e qey's open	MZ, CBHS 110	473 PUBL 1033	
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Sep Dec		1.5202	-0.0132		1.5202	9,044	38,22
Dec	1.5170	1.5190	-0.0124		1.5170	1	37
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EMS EU	DODEA	N CII	DDEM	ev Har	T DATE	•	
			ate			_	
Mar 25	Ecu cer		est Ecu	Change on day	% +/- from cen. rate	% spres v weeke	
Speka	162.49		9.037	-0.143	-2.13	5.27	15
Notherlands	2.1521			-0.00114	-1.57	4.67	12
Belgium	39,396		.8905	-0.0274	-1.2B	4.37	8
Austria	13.438		3110	-0.0087	-0.95	4.01	7
Germany	1.8100			-0.00084	-0.81	3.97	8
Portugal	195.790		5.465	-0.101	-0.17	3.20	1
Denmark	7_28580			-0.00299	0.33	2.89	-2
Prance	6,4060			-0.01641	1.18	1.81	-10
reland .	0.792214	4 0.8	6196 +	0.006521	3.03	0.00	-20
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taly	2108.1	5 20	03.05	-2.63	-4.90	8.33	_
UK	0.786653	2 0.84	1589 +	0.006974	6.98	-3.70	_
PHILADE	LPHDA SE			1,250 (cents	per pound)		
Strike Price	A-4-	- CAL				PUTS —	
	Apr		•	دسائر	Apr	May	Jun
1.500	3.29	3.5		3.96	0.07	0.30	
1.510	2.42	2.7		3.29	0.16	0.53	0.84
1.520	1.61	2.1		2.67			1.15
	0.95	1.5	4		0.27	0.64	1.15 1.52
		100		2.17	0.60	0.64 1.25	1.15 1.52 1.95
1.540	0.49	1.0	7	2.17 1.70	0. <b>60</b> 1.14	0.64 1.25 1.76	1.15 1.52 1.95 2.51
1.540 1.550	0.20	0.7	1	2.17 1.70 1.31	0.60 1.14 1.85	0.64 1.25 1.76 2.42	1.15 1.52 1.95 2.51 3.04
1.540 1.550	0.20	0.7	1	2.17 1.70 1.31	0.60 1.14 1.85	0.64 1.25 1.76 2.42	1.15 1.52 1.95 2.51 3.04
1,540 1,560 Previous day's v	0.20 pt, Calls 3.5	0.7 24 Pus 6,1	7 1 122 - Prev. s	2.17 1.70 1.31 day's open in	0.60 1.14 1.85 c., Calle 141,15	0.64 1.25 1.76 2.42	1.15 1.52 1.95 2.51 3.04
1,540 1,560 Previous day's v	0.20 pt, Calls 3.5	0.7 24 Pus 6,1	7 1 122 - Prev. s	2.17 1.70 1.31 day's open in	0.60 1.14 1.85 c., Calle 141,15	0.64 1.25 1.76 2.42 1 Puts 160,5	1.15 1.52 1.95 2.51 3.04
1.540 1.660 Previous day's v	0.20 pt, Calls 3.5	0.7 24 Pus 6,1	7 1 122 - Prev. s	2.17 1.70 1.31 day's open in	0.60 1.14 1.85 c., Calle 141,15	0.64 1.25 1.76 2.42 21 Puts 160,5	1.15 1.52 1.95 2.51 3.04
	0.20 ct., Cale 3.5 ORTH EUI	0.7 Puts 6.1	7 1 122 - Prev. ( AR (IMM)	2.17 1.70 1.31 day's open in \$1m points	0.60 1.14 1.85 c. Calle 141,15	0.64 1.25 1.76 2.42 21 Puts 160,5	1.15 1.52 1.95 2.51 3.04
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1.540 1.560 Previous day's v IL THREES MO Jun Bep	0.20 et, Cale 3.5 DETH SUI Open 94.59	0.7 24 Puts 6.1 RODOLL Latest 94.62	7 1 122 - Prev. 4 ARI (IMAI) Change +0.03	2.17 1.70 1.31 day's open in S1m points High 94.62	0.60 1.14 1.85 4. Calls 141,15 c of 100%	0.64 1.25 1.76 2.42 1 Puts 160,5	1.15 1.52 1.85 2.51 3.04 88 Open in 429,07- 322,89
1.540 1.550 Previous day's v IL THERES MA Jun Sep Dec	0.20 ct., Cale 3.5 DETH ERM Open 94.59 94.44 94.23	0.7 24 Puts 6.1 RODOLL Latest 94.62 94.51 94.31	7 1 122 - Prev. 4 222 - Prev. 4 223 - Prev. 4 202 - Prev.	2.17 1.70 1.31 5m/s open in S1m points High 94.62 94.51 94.32	0.60 1.14 1.85 c. Calle 141,15 c of 100% Low 94.59 94.44 94.23	0.64 1.25 1.76 2.42 Prim 160,5 Est. vol. 38,532 28,707	1.15 1.52 1.85 2.51 3.04 88 Open in 429,07- 322,89
1.540 1.550 Previous day's v IL THERES MA Jun Sep Dec	0.20 ct., Cale 3.5 DETH ERM Open 94.59 94.44 94.23	94.62 94.31 FUTUR	7 1 122 - Prev. 4 222 - Prev. 4 223 - Prev. 4 202 - Prev.	2.17 1.70 1.31 5m/s open in S1m points High 94.62 94.51 94.32	0.60 1.14 1.85 c. Calle 141,15 c of 100% Low 94.59 94.44 94.23	0.64 1.25 1.76 2.42 11 Puss 150,5 Est. vol. 38,532 28,707 31,548	1.15 1.52 1.95 2.51 3.04 88 Open tr 429,074 322,89 303,35
1.540 1.550 Previous day's v II THEREX MA Sep Dec II US TREAS	0.20 ct., Cale 3.5 DETH ERM Open 94.59 94.44 94.23	0.7 24 Puts 6.1 RODOLL Latest 94.62 94.51 94.31	7 1 122 - Prev. 4 222 - Prev. 4 223 - Prev. 4 202 - Prev.	2.17 1.70 1.31 5m/s open in S1m points High 94.62 94.51 94.32	0.60 1.14 1.85 c. Calle 141,15 c of 100% Low 94.59 94.44 94.23	0.64 1.25 1.76 2.42 Prim 160,5 Est. vol. 38,532 28,707	1.15 1.52 1.95 2.51 3.04 88 Open in 429,074

Strikes	_		MTS -				PUTS -	
Price	Apr		May	دالبائه		\pr	May	Jun
1.500	3.29		3.54	3.96		L <b>07</b>	0.30	0.84
1.510	2.42		2.76	3.29	0	.18	0.53	1.15
1.520	1.61		2.12	2.87		1.27	0.64	1.52
1.530	0.95		1.54	2.17		.60	1.25	1,95
1.540	0.48		1.07	1.70		.14	1.76	2.51
1.550	0.20		0.71	1.31		.85	2.42	3.04
Previous de	ik,a noy" Cape (	8.624 Puts	6,922 . P	rov. day's	open int.,	Calls 141,1	21 Puts 160	,588
<b>=</b> 11000	MONTH F	Lates		<del></del>			Fee and	0
	Open			9-	High	LOW	ESL VOI	Open in
Jun	94.59	94.62			94.62	94.59	38,532	429,07
Sep	94,44	94.51		-	94.51	94.44	28,707	322,890
Dec	94.23	94.31	+0.	.08	94.32	94.23	31,548	303,35
= 116 70	EASURY BE	LL FUTT	DRES (II	<b>#M)</b> \$1m	per 1009	*		
= US 1K								
Mar		95.02		. —		_	320	1.914
	95.10	95.02 95.11		 03	95.11	95.09	320 292	
Mar Jun Sep		95.11 94.98	+0.		95.11 94.98	95.09 94.94		8,706
Mar Jun Sap All Open in	95.10 94.94	95.11 94.98 for previo	+0. +0. Dus day	08	94.98	94.94	292	8,706
Mar Jun Sap All Open in	95.10 94.94 terest ligs. ent	95.11 94.98 for previo	+0. +0. Dus day	06 1m poin	94.98 is of 1009	94. <b>9</b> 4	292	8,706
Mar Jun Sep All Open in	95.10 94.94 terest ligs. ent	95.11 94.98 for previo	+0. +0. Dus day	06 1m poin	94.98 is of 1009	94 <u>.</u> 84	292 190	8,706
Mar Jun Sep All Open in Strike	95.10 94.94 terest figs. ont	95.11 94.98 for previo	+0.  ALLS -	06 1m poin	94.98 is of 1009 Apr	84.84 % May	292 190 PUTS	8,706 3,125
Mar Jun Sep All Open in BE EURON Strike Price	95.10 94.94 terest figs. ser	95.11 94.98 for previous COMS (Lift May	+0.  ALLS	1m poin	94.98 is of 1009 Apr	94.84 % May 0.07	292 190 PUTS	8,706 3,125 Sep.
Mer Jun Sep All Open in Bl EUROI Strike Price 9675	95.10 94.94 terest figs. ser MARK OP/11 Apr 0.08	95.11 94.98 for previous ROMS (Life May 0.10	+0.  HO DAIS CREY  FFE DM  ALLS  Jun  0.12	1m poin Sep 0.18	94.98 is of 1009 Apr 0.05	94.84 % May 0.07 0.25	282 190 PUTS — Jun 0.09 0.26	8,706 3,125 Sep. 0.22
Mar Jun Sep All Open in Strike Price 9675 9700 9725 Egt. vol. tot.	95.10 94.94 terest figs. ser MARK OPTI Apr 0.08 0.01 oi, Cats 1989	95.11 94.98 for previous (UIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	+0. +0. bus day FFE) DM ALLS Jun 0.12 0.04 0.01 68. Previo	1m poin Sep 0.18 0.07 0.02 us day's	94.98 is of 1009 Apr 0.05 0.23 0.47 open int.	94.94 May 0.07 0.25 0.48 Calls 31733	282 190 PUTS — Jun 0.09 0.26 0.48 \$ Puta 285	8,706 3,125 Sep. 0,22 0,38 0,58
Mar Jun Sep All Open in Strike Price 9675 9700 9725 Egt. vol. tot.	95.10 94.94 terest figs. ser MARK OPTI Apr 0.08 0.01	95.11 94.98 for previous (UIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	+0. +0. bus day FFE) DM ALLS Jun 0.12 0.04 0.01 68. Previo	1m poin Sep 0.18 0.07 0.02 us day's	94.98 is of 1009 Apr 0.05 0.23 0.47 open int.	94.94 May 0.07 0.25 0.48 Calls 31733	292 190 PUTS — Jun 0.09 0.26 0.48 \$ Pun 2856	8,706 3,125 Sep. 0,22 0,38 0,58
Mar Jun Sep All Open in Strike Price 9675 9700 9700 9705 En. vol. tot II EURO Strike	95.10 94.94 terest figs. are MARK OPTI Apr 0.08 0.01 0 el, Cals 1986 SWISS FRA	95.11 94.98 for previous (Life Communication	+0. +0. bus day FFE DM ALLS 0.12 0.04 0.01 68 Provio	Sep 0.18 0.07 0.02 us day's	94.98 is of 1009 Apr 0.05 0.23 0.47 open int., (7 1 m poi	94,94 May 0.07 0.25 0.48 Calls 3173 18 of 100	282 190 PUTS	8,706 3,125 Sep. 0.22 0.38 0.58
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Mar Jun Sep All Open in E EURO Strike Price 9775 9770 9725 En. vol. tot E EURO Strike Price 9825	95.10 94.94 terest figs. stri MARK OPTI Apr 0.08 0.01 0 1, Cafs 1996 Striss FRA	95.11 94.98 1 for previous CMay 0.10 0.03 0.01 7 Pyte 72 NC OFT	+0.  +0.  bus day  FFE) DM  ALLS  Jun  0.12  0.04  0.01  8. Previo	1m poin Sep 0.18 0.07 0.02 us day's IFFE) Si	94.98 is of 1009 Apr 0.05 0.23 0.47 open in	94,94 May 0.07 0.25 0.48 Calls 3173 tals of 100	292 190 PUTS — Jun 0.09 0.26 0.48 & Aus 2856 % PUTS — Sap 0.27	8,706 3,125 Sep. 0,22 0,38 0,58 204
Mar Jun Sep Al Open in E EURO Strike Price 9675 9705 En. vol. tot E EURO Strike Price 9675 9725 En. vol. tot E EURO Strike Price	95.10 94.94 terest figs. ser WARK OPTI Apr 0.08 0.01 oi, Cabs 1995 SWISS FRA Jun 0.14 0.05	95.11 94.98 hor previous COMS (Lift May 0.10 0.03 0.01 7 Pyte 72- NC OFT	+0. +0. bus day FFE DM ALLS 0.12 0.04 0.01 69. Previo notes (1	Sep 0.19 0.02 us day's JFRE) Si Dec 0.15	94.98 Apr Apr 0.05 0.23 0.47 open int., (7 1m poin	94,84 May 0.07 0.25 0.48 Calls of 100 un 13	292 190 PUTS	\$ep. 0.22 0.38 0.58 204 Dec 0.61 0.68
Mar Jun Sep All Open in  RE EURO Strike Price 9675 9700 95725 En. vol. tot II EURO Strike Price 98255 98275	95.10 94.94 terest figs. stri MARK OPTI Apr 0.08 0.01 0 1, Cafs 1996 Striss FRA	95.11 94.98 hor previous May 0.10 0.03 0.01 7 Parts 72-	+0. +0. bus day  FFE) DM  ALLS  U.In  0.04  0.01  8. Previo	Sep 0.18 0.07 0.02 us day's SFFE) SF	94.98 Apr 0.05 0.25 0.47 open in., (7 1m poin	May 0.07 0.25 0.48 Calls 31133 113 29 50	292 190 PUTS	8,706 3,125 Sep. 0,22 0,38 0,58 204

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May 16 1996 at the Le Meridien, Piccadilly, London

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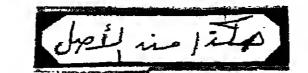
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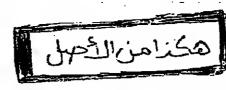
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#### LONDON STOCK EXCHANGE

### More bid speculation fails to halt market slide

By Steve Thompson, UK Stock Market Editor

A nationwide preoccupation with "mad cow disease" and its implications for the various sectors of the stock market, plus a sudden realisation that the scare could have hig implications for the economy. weighed beavily on share prices yesterday. The market's two main indices, the FT-SE 100 and the FT-SE Mid 250, lost their recently hard won 3,700 and 4,300 levels.

At the close of a rather tense and unhappy session, the FT-SE 100-share index was left nursing a 25.1 decline at 3,681.9.

It was only the constant feeling

bids, could appear at any moment that prevented a much steeper fall in the market.

And the recent confident performance of the FT-SE Mid 250 Index. over prospects, mostly in utilities, was undermined by befty losses associated with the UK beef scare.

had been badly affected by the beef disease worries. At 6pm, trading volume in equities had reached 690.1m shares, not too had for a Monday, when market activity is traditionally restrained.

Volume was boosted by beavy

turnover in a handful of smaller

which has been founded on take-The FT-SE Mid 250 lost 7.8 at 4,296.5. Dealers complained that turnover

stocks such as Birse Group, Bula, Queens Moat and Regent Corporation. The combined turnover of that group accounted for 82m shares, or around 12 per cent of the total. There were other reasons behind

the market's disappointing showing but it was mostly the "mad cow" story that unsettled sentiment. Reassuring comments by the government about the BSE scare did

precious little to sooth frayed

nerves in the market, where the big-

gest impact was in the food manu-

facturing and retailing areas. Gilts came under early selling pressure after strategists pointed out the likely dangers to the public

sector borrowing requirement and the halance of payments of any moves to destroy the UK's dairy and beef berds. Towards the close they rallied well, however, finishing well up on the day in the wake of firm US Treasury bonds ahead of today's Federal Open Market Com-

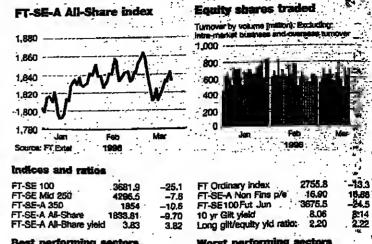
mittee meeting. Some substantial selling of stocks, such as Northern Foods and Unigate, both heavily involved in milk sales in the UK, plus equally significant weakness in animal feed stocks such as Harrisons & Crosfield and Dalgety, drove the market sharply lower from the outset.

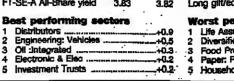
Dealers also pointed to the damage the beef scare had done to the been in the market.

government's credibility. "This whole thing has run out of control and is damaging sentiment in the market; the government will not be forgiven for this one," said a senior

Thereafter there was no real respite for the market, with the Footsie losing ground throughout the day and dipping significantly an hour before the close.

The day's takeover speculation focused principally on Thorn EMI, where dealers became increasingly excited about a rumoured bid from Time-Warner and Laohroke, where talk of a takeover offer from any one of three companies has long





**FUTURES AND OPTIONS** 

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FT-SE 100 INDEX PUTURES (UFFE) \$25 per full index point

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TRADING VOLUME

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High

#### Mad cow fears hit dairies

Fears about the likely impact of the current cattle scare cast a shadow over several food manufacturing stocks.

Northern Foods and Unigate tumbled early in the sessioo. as fears circulated that the government was about to announce a cull of several million cattle. The worry was that such a move would greatly reduce the number of cattle available for milk production.

Dealers highlighted the fact that the former derived around 50 per cent of trading profits from milk sales last year, while the figure for Unigate was around 40 per cent.

A government statement late in the day, which announced no further measures, was viewed with some scepticism. One observer sald: "The government may have said nothing about a slaughter today, but there is a feeling that one has not been ruled out for the near future. These shares will continue to be overshadowed hy these fears.

At the close, Northern was down 16 at 183p, the worst performer in the FT-SE Mid 250 index, while Unigate gave up 30 to 407p. Robert Wiseman Dairies fell 25 to 137p.

Animal feeds specialists were also blt. Harrisons & Crosfield, which gets some 15 per cent of operating profits from feedstocks, came off 11 to 154p in trade of 8.1m. Dalgety finished 14 lower at 424p; vol-

> fretand will be paid as follows: Amount of dividend

per pro GENCOR (U.K.) LIMITED

London Secretaries M Taylor

London ECIN 6UA

JUEN Place

Less United Kingdom Income Tax of 20%

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ume reached 3.5m shares. Talk that investors in dehtridden Eurotunnel were about

to he squeezed out by a special financing vehicle sent shares in the Channel tunnel operator dropping to a new all-time low. Shareholders were said to he taking a back seat under a plan aimed at restructuring the group's £Sbn of horrowings. There were worries that a special vehicle, to be set up by Morgan Stanley, would take the first slice of the Channel

tunnei operator's revenue. Eurotunnel shares fell 51/2 to 68p; 26 months ago they stood just sbort of 600p.

British Airways moved ahead against the trend. adding 3 at 532p, as big fund manager Mercury Asset Management lifted its investment in the airline by almost a percentage point to 13 per cent.

Royal Bank of Scotland shares looked shaky, as the bank approached the end of its first half. The bank has been seeing analysts before it goes into closed season at the end of the month. It has apparently heen telling them that, while profits at the bank are likely to be healthy, its Direct Line insurance subsidiary has had a tough time.

Most insurance specialists were aware of the viclously competitive environment in motor insurance. But they bad not factored in the claims boost from the harsh winter especially in Scotland.

Estimates for Direct Line's profit contribution are being cut back by around 20 per cent, according to some specialists. Also, the takeover specula-tion that has lifted Royal Bank

for some time bas begun to dis-

sipate for two reasons. Firstly,

GENCOR LIMITED

PAYMENT OF COUPON NO 149 (Dividend No 140) HOLDERS OF SHARE WARRANTS TO BEARER will receive

payment on or after 29 March 1996 at the rate of 1.16123p the amount declared per share, against surrender of Coupon No 149.

Coupons must be deposited for FOUR CLEAR DAYS for inspection before payment will be made:

In Switzerland Ar Credit Suisse, Zurich: Swiss Bank Corporation,

London ECIN 6UA

any of their branches.

Coupons belonging to holders resident in Great Britain and Northern

At Credit du Nord

At the office of the London Secretaries of the Company, 30 Ely Place,

Zurieh; Union Bank of Switzerland, Zurieh; or at

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26 March 1996

Theorperated in the Republic of South Africa) Company Registration No 01/01232/06 meetly General Musing Union Corporation Limited)

HSBC, the favoured aggressor, has recently been linked with Standard Chartered instead.

Secondly, some reasonable sized issuance of deht from RBoS last week generated talk that it was poised to buy a building society. If that were to happen, the hank would he a larger and less palatable mor-sel to swallow. The shares fell 6 to 516p, making a slide of around 5.5 per cent over the past four trading days.

News of capital restructuring at Securicor sparked talk of an imminent release of share-holder value and drove the "A" shares up by about 7 per cent.

The security and telecoms group is to bring its 40 per ceot shareholding in mohile phones operator Celinet, currently divided between Securicor and a subsidiary, Security Services, into one company. Simplification of the structure, which bad previously involved four classes of capital, was seen as

as a possible huyer and so was Danish group TeleDanmark. But BT remained most dealers' hot favourite. "The mobile

any deal.

The plan was also inter-

preted as paving the way for a Cellnet disposal. BT owns 60

per cent of Cellnet and specula-

tion of a sale to the telecoms

giant periodically surfaces in

spite of a government veto on

phones group, was mentioned

Air Touch, the US mobile

market is now much more competitive, and we may have a new government shortly anyway. Do not write off a deal with BT," said a leading anaiyst. Securicor fanned the speculative flames by confirming that

taken place and claiming that any disposal would not necessarily involve a tax liability. Securicor "A" ended as the top FT-SE Mid 250 stock, up 67

talks with a third party had

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Rises and falls'		52 Week highs	and forms	LIFFE Equity optic	ns
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Total Falls		Total Lows	34		17,311
Same	1433		•	Puts	10.672

making a takeover more likely. at 1055p, and Security Services

rose 65 to 1050p. Sonth West Water is the damsel in distress over the something of an upswing. unwelcome attention of Severn Trent and Wessex. And the possibility of an American white knight" charging into the rescue lifted its share price by 9 to 676p yesterday. Other takeover targets also

continued to attract attention in an otherwise quiet market. Thames Water moved up 3 to 581p and Southern was 4 higher at 758p.

National Grid put on 2 at 1921/2, as one institution hought heavily and pushed the turnover to 5m shares.

Speculation that Thorn EMI may be on the receiving end of a £22 a share bid from US group Time Warner helped the stock rise 15 to 1683p.

Sbares in Manchester United, which reports figures today, were in demand following the football team's rise to the top of the Premier League. The shares gained 28 at 286p.

Among food retailers, beavy trading in Asda Group options prompted demand for the equities. The shares hardeoed 14 to 104%p. Volume in the equities reached 12m, while the equivalent of 2.3m were dealt in the traded options sector. Insurance hroker Sedewick

ticked ahead 2 to 132p on talk that Alexander & Alexander, the US broker, was taking a hard look at the group. The theory is that the two largest institutional shareholders, Schroders and PDFM, have about 40 per cent of the equity between them and if they were prepared to sell out, Sedgwick would be an easy fish to land.

Most composite insurers advised clients to take profits following a bounce last week. However, Independent rose 9 to 480p after one marketmaker scramhled to pick up stock and

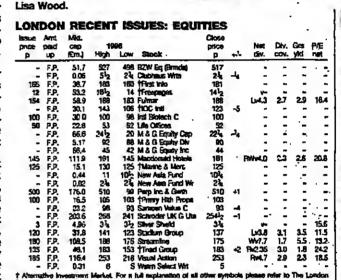
adjust a short position in this tightly traded stock. Conglomerate Tomkins saw

volume of 6.8m as talk suggested the shares, dull performers lately, might be in for

The coupon on the £600m of convertible preference issued to pay for the takeover of Gates Rubber is to be fixed next month, at a level linked to the Tomkins average share price in April. NatWest Securities recommended the shares

as a trading buy. Tomkins has been touching base with hrokers and institutions lately, and the news on the Gates integration is said to he favourable. The shares, which have lagged behind the market by 10 per cent this year, added 11/2 at 257%p.

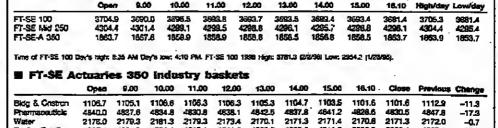
**MARKET REPORTERS:** Peter John, Joel Kibazo, Jeffrey Brown,



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B Regional Indices								
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North America (12)	1994 81	+1.8	1380.49	1575.88	0.68	53.24	2186.39	1488.94

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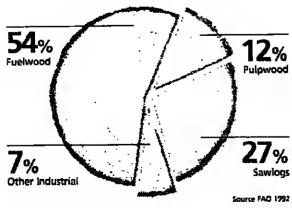


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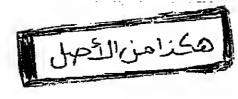
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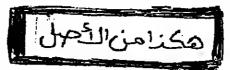
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### Tech stocks fall as bonds support Dow

US shares were mixed in midday trading yesterday as strength in the bond market gave support to broader indices, while a sell-off in the technology sector led to losses on the Nasdaq composite, urites Lisa Bransten in New York.

Blue chip shares in the Dow Jones Industrial Average jumped 42 points in the first half-bour of trading before spending the rest of the morning settling back nearer to Friday's closing levels. By 1 pm the Dow was up 15.54 at

The Standard & Poor's 500 had gained 1.33 at 651.95, while the American Stock Exchange composite eased 0.20 to 569.15. New York SE volume was

196m shares. Broader indices got some support from gains on the US Treasury market, where the yield oo the benchmark 30-year bond fell to its lowest level since the market was jolted two weeks ago by surprisingly strong employment figures. Technology shares, bowever,

fell in morning trading, causing the Nasdaq - which is about 40 per cent technology issues - to give up 7.45 at 1.094.77. The Pacific Stock Exchange technology index shed 1.1 per cent.

IBM, which is traded on the NYSE, posted the biggest decline of the 30 companies in the Dow. In early afternoon trading, its shares were \$234 cheaper at \$111%. Hew-lett-Packard shed \$1% to \$95% and Compaq Computer was S1's weaker at \$36's.
On the Nasdaq, Dell Computer lost \$1 at \$31%, Apple

Computer was \$1# lower at \$24% and Gateway 2000 dipped

C-Cube Microsystems dropped \$9 or 18 per cent to \$45% after IBM presented a line of audio-video encoding systems that will compete with C-Cube's products. Micros Systems slid \$26% or 52 per cent to \$241/2 after the manufacturer of retailing compoter systems said it expected third-quarter earnings this year to be lower than those of

year ago. Elsewbere, General Motors gest of the Big Three US motor companies began to restart fac-tories that had been shut by a 17-day strike in a Dayton, Ohio, parts plant.

Merck receded \$1% to \$62% after the company warned that its new drug for the treatment of osteoporosis, Fosamex, had caused stomach irritation in some patients.

#### Canada

Toronto was supported at midsession by mutual fund cash flowing into the market ahead of the end of the financial

The TSE 300 index bad gained 11.37 by noon at 4,964.00 in volume of 35.6m shares.

The banking sector was belped higher by stronger bond markets and an improving interest rate outlook after Friday's announcements from the major banks that they were cutting their prime lending rates to 6.75 per cent. Toronto-Dominion Bank rose

C\$% to C\$23%, Canadian Imperial Bank of Commerce added C\$1/4 at C\$411/4 and Bank of Montreal firmed C\$1/4 to C\$311/4.

### Mexico takes profits

MEXICO CITY felt that it was time to book some profits in midsession trading. The IPC index, which had gained 7 per cent in dollar terms last week. was off 35.93 or 1.2 per cent at

However, there was also a ers remarked, that inflation might rise in the short term following price rises in tortillas and an increase in the mini-

Following recent strength, mum wage, both of which were announced on Friday. BUENOS AIRES built on Friday's 2 per cent gain, with a midsession rise in the Merval index of 10.62 or 2.1 per cent at 528.11. Analysts suggested that sentiment had been lifted by the start of the annual meeting

> SAO PAULO was moderately firmer at midsession, with the Bovespa index 425.21 or 0.8 per cent higher at 50,937.

	*	change in toc	% change : sterling †	% change in US S †			
	1 Wesk	4 Wasks	1 Year	Start of 1996	Start of 1996	Start of 1986	
Austria	+1.63	-1.73	+3.13	+8.25	+6.29	+5.0	
Belgium	+1.40	-0.72	+22.11	+1.75	-0.09	-1.2	
Denmark	-0.63	-2.30	+13.77	+4.21	+2.53	+1.3	
Finland,	+0.25	+0.82	+9.45	+5.18	+0.49	-0.6	
Franco	+0 84	+0.53	+11.47	+8.07	+5.81	+4.3	
Germany	+1.94	+2.25	+24.14	+9.80	+7.77	+6.5	
Iroland	+0.26	+0.55	+25.85	+3.22	+2.95	+1.7	
hah	-0.51	-2.28	-1.61	-2.45	+0.17	-0.9	
Notherlands	+1.27	+2.78	+29.94	+7.83	+5.89	+4.6	
Nerway	+0.30	-0.24	+17.97	+5.09	+4.65	+3.4	
Spain	+2.54	1.66	+30.07	+5.06	+4.00	+2.8	
Swrden	+2.10	+1.90	+34.75	+11.96	+13.37	+12.0	
Switzpriand	+2.82	+9.78	+44.81	+10.07	+7.36	+6.1	
UK	+1.70	-0.54	+18.25	+1.18	+1,18	+0.0	
EUROPE	+1.59	+1.27	+21.38	+S,22	+4.25	+3.0	
Australia	+0.38	-0.94	+17.37	+0.55	+6.23	+5.0	
Heng Kong	+4.26	-2.20	+26.04	+11.77	+13.08	+11.7	
Japun	+2.16	+1.2-1	+26.15	+0.14	-2.10	-3.2	
Malaysia	+2.45	+4.53	+18.38	+13.84	+14,97	+13.6	
New Zealand	+2.11	+2.54	+9.44	+1.08	+7.47	+6.2	
Singapore	+2.10	-2.78	+23.82	+8.41	+10.04	+6.7	
Canada	+0.10	+0.01	+14,40	+5.12	+6,45	+5.2	
USA	+1,27	-1.30	+31,11	+5.69	+6.92	+5.6	
Moxico	+7,84	+2.78	+77,08	+11.20	+14,67	+13.3	
South Africa	-0,97	-0.85	+25.09	+8.17	+1.72	+0,5	
WORLD INDEX	+1,61	+0.00	+26.40	+4.48	+4,25	+3.0	

MARKETS IN PERSPECTIVE

#### Philips surprised AMSTERDAM by announcing that it expected to report a first-quarter result "substantially" below the previous year's figure. It was known that the consumer electronics market was weak in the US

and in Europe, but the surprise was compounded by the fact that the company's results for this period were not due until the end of next month. The stock plummeted F17.20 or 11 per cent to F159 in high volume of 13m shares. Mr Dennis Exton at Nikko Europe said that a weak first

quarter had been on the cards, given the extensive publicity that had been given over the past few months to the downturn in tha semiconductor industry. The problem facing Philips now, be added, was that, in spite of the restructuring measures that had been embarked upon, the company was still not achieving tha economies of scale that some of its Japanese competitors, for instance, were managing.

In addition, Philips was still incurring substantial start-up and operating costs from new ventures, just at a time when global demand for consumer electronics and semiconductors in general appeared to be weakening. He felt that one option for Philips was to "buy growth" through the acquisi-tion of companies in the media

CFF, which had no comment and media services sector. The AEX index slipped 0.72 to 527.48, after a session's high of 530.89.

PARIS galloped through the 2,000 level on the first day of tha new account, encouraged by the return of foreign investors. The CAC-40 index rose 29.48 to 2,003.83. Crédit Foncier de France, the

Credit Foncier

400

specialist mortgage bank, suf-fered a beavy loss, closing FFr5.20 or 6.6 per cent down at FFr72.80. Analysts said reports circulating in some domestic newspapers that the financial institution might announce very large provisions for 1995 in an effort to clean up its balance sheet were not new. CFF, in common with many

other banks and insurers, had

because of exposure to the problems which had affected the intensely competitive property market, they said. In addition, CFF suffered after the government confirmed last eptember, following months of speculation, that it was abolishing a subsidised loan programme, for which CFF was one of only two providers. Since that time the group's shares had fallen from the FFr300 lavel, with an additional disincentive to investors in the hlocking, last November, of a proposed merger which would have provided a recapi-

on yesterday's reports, said it was dua to publish its 1995 results on April 4. Eurotunnel was another casualty, the stock tumbling 40 centimes or 7 per cent to FFr5.30 as investors reacted to reports that the group might issua bonds to refinance its

talisation of some FFr1bn.

substantial debt load. FRANKFURT registered yet another all-tima high hut it did so with limited conviction. turnover falling from DM9.8bn to DM7.3bn as the Dax index recovered last Friday's postbourse losses and closed 34.96 higher at an Ibis-indicated

Sentiment was lifted by the success of the ruling CDU/FDP coalition in the weekend

tle satisfaction in the week-

end's presidential election

which resulted in a victory for

tha incumbent president, Lee

Teng-hui. The weighted index

ended just 0.96 up at 5,067.51,

off an opening high of 5,136.01. in turnover of T\$46.5bn.

Shipping shares attracted

interest on expectations that

Beijing and Taipel were likely

to begin discussing direct

#### Philips, down 11%, gives Amsterdam a surprise FT-SE Actuaries Share India 10.90 11.00 12.00 13.00 14.00 15.00 Glose 1620.95 1678.86 Mar 22 Mar 21 Mar 20 FT-SE Eurotrack 200-

länder elections, which firmed bond markets, and financials ahead of a string of bank results. Banking shares did well on the day, Commerzbank rising DM4.90 to DM337.40 on a 109 per cent jump in 1995 oper-ating profits; but insurers did better, Allianz closing DM57 higher at DM2,786, and Munich Re gaining DM70 at DM3,140 on the more direct link perceived between bunds, and insurers' asset values.

SAP prefs were the share of the day, rising DM13.60 or 6.7 per cent to DM216.75. Mr Lothar Lubinetzki at Enskilda Securities said the software group had underparformed since it was co-opted into the Dax 30 last September. Other winners included Linde, the fork lift specialist, up another DM26 to DM931 following good results last week: Hoechst and BASF on the chemicals restructuring story; and Adidas, the sportswear group, DM3 higher at DM107 as it

extended the upgrading that

turnover up from HK\$4.39bn to

HK\$4.99bn. Among key index

stocks, HSBC surged HK\$2.20

to HK\$118.50 after going ex-

dividend. Cheung Kong rose 50

cents to HK\$55 and HK Tele-

a friendly annual report from

Bank Negara tomorrow and

KUALA LUMPUR looked for

com 15 cents to HK\$15.10.

was interrupted, temporarily, by stories of delivery difficul-

MADRID, too, had a better day for share prices than it did for volume, the general index rising 3.91, or 1.2 per cent, to 340.11 in relatively light turnover of nearly Pta32bn. There was a suggestion that

> rise ahead of the end of the quarter on Friday; but that investors did not actually want to buy at these levels.
>
> ZURICH climbed to another peak, with further demand for the pharmaceuticals sector tak-

ionals wanted prices to

ing the SMI index 29.3 ahead to Roche certificates gained SFr80 at SFr9.805, Ciba added

SFr11 at SFr1,495 and Sandoz rose SFr13 to SFr1,403. Expectations that investors might soon decide to switch

out of sharply higher pharmaceuticals helped the insurance sector, which was regarded as having more upside potential. The favourable interest rate

more than banks, Swiss Re jumping SFr28 to SFr1,259 after last week's underperformance. Alusuisse, up SFr7 to SFr1,002, pierced the psychologically important SFr1,000

level in spite of last week's James Capel sell recommenda-tion. Swissair continued its sharp ascent, rising SFr12 to SFr1,345 after last week's 19.3 per cent surge... Elektrowatt moved forward

SF18 to SF1437 ahead of a news conference late in the day.

MILAN was weak as political uncertainties again kept investors away and the Comit index lost 4.11 to 585.29. Telecommunications were in

focus. Telecom Italia fell L59 to 12.414 after its presentations to analysis in Milan on Friday and London yesterday. Stet was L19 weaker at L4.456 but Tim jumped L39 to L2,783 on news of increased investment in its GSM activities.

However, Mr William Laurent at Robert Fleming downgraded Tim, citing growing competition from the Olivetti controlled Omnitel, the shares' performance since flotation last July and the company's need to sign up increasing numbers of new subscribers simply to hold revenues flat.

### Nikkei gains 1%, banks rally on housing loan hopes

Hopes of an imminent resolution of the government's housing loan liquidation plan revived the banking sector, and the Nikkel average rose by a percentage point, writes Emiko Terazono in Tokyo.

The ruling coalition parties won an upper house by-election in central Japan over the weekend. This prompted expectations that the impasse over the budget bill negotiations would soon end, and the 225 index gained 214.52 at 20,915.44. The index moved between 20,745.91 and 20,946.53. Foreign investors bought banks and cyclicals. The Topix index of all first section stocks rose

13.63 to 1,598.54 and the Nikket 300 by 2.49 to 299.70. against 415.6m, broker activity slowing down on the last trading day for March settlements. Banks, looking to realise profits, sold and bought back A fear of new taxes in the shares. Advances led declines by 734 to 347, with 141 issues

In London the ISE/Nikkei 50 index eased 0.91 to 1,396.79. Banks which have stakes in bousing loan companies were especially popular. Merrill Lynch bought Sumitomo Bank, which rose Y50 to Y2.180; Mitsubishi Bank, bought by Leh-man Brothers, climbed Y80 to Y2.240. Analysts expected the negative effects of the jusen debacle on the sector to ease and saw such factors as interest rates having a greater influence on bank shares in

Overseas investors bought carmakers: Toyota rose Y40 to Y2,370 and Honda gained Y20

Johannesburg pushed higher in busy late trade, with golds

maintaining strength on a

firm bullion price and indus-

trials following suit. The over-

all index put on 45 at 6,735.5, industrials 38.6 at 8,318.2 and

at Y2.350. Technology issues were mixed in spite of the yen's fall, with Fujitsu declining Y3 to Y969 and Hitachi adding Y11 at Y1,010.

SS Pharmaceutical, a drugs maker specialising in propri-etary brands, surged Y56 to Y726 on reports that Boehringer Ingelheim, of Germany, had purchased a 9.2 per cent stake from Cosmo Credit Union, a small financial institution which collapsed last Angust. After the market closed, SS Pharmaceutical said It would write off Yibn in losses related to Cosmo. although the losses would be covered by stock sales.

Higher crude oil prices lifted oil refiners. Nippon Oli advanced Y14 to Y663 and Mitsubishi Oil Y18 to Y890.

In Osaka, the OSE sverage ume of 42.5m shares.

#### Roundup

1996-97 Pakistan hndget helped drive KARACHI down by 2.1 per cent there were also worthe telecom utility, might be

The 100-share index fell 32.71 to 1,488.56, with PTCL dropping Rs2.20 to Rs30.90. BANGKOK retreated as rumours circulated about the future of the central bank gov-

ernor. The SET index lost 6.62 at 1,304.08 in Bt4.1bn turnover. Brokers said the market's fall came during the afternoon as stories began to emerge that the bank governor had been dismissed. The story was described as "groundless" by

TAIPEI appeared to find lit-

Shares in West Witwaters-

rand Gold Holdings ended at

75 cents, a loss of 40 per cent

from Friday's previous low for

the year of R1.25, on worries about the life of the mine.

South Africa presses higher

this, along with heavy buying in Petronas Gas shares, pushed the KLSE composite index to a transportation links after the new closing high for the year Yang Ming Marine gained 30 cents at T\$32.6 and U-Ming Marine rose 60 cents to T\$29.3. HONG KONG detected signs of an easing in China-Taiwan

of 1,160.83, up 10.18. tensions, and the Hang Seng index closed 85.03 higher at 11,111.76, after 11,165.07, in

market's second heaviest vol-ume of 62m shares. SINGAPORE property

Petronas Gas climbed to a peak of M\$12.20 before eoding at M\$11.60, up 60 cents, on the

related stocks continued to see

good interest. Orchard Parade climbing 27 cents to \$\$5.25 on the contention that, like a number of stocks in the sector, it was trading at a discount to asset value. The Straits Times Industrial index finished 6.74; ahead at 2,406.47.

SYDNEY saw BHP and CRA dominating turnover as the All Ordinaries index moved up 10.4 to 2,255.4. Overall volume was 216.3m shares worth A\$605m. with rises leading falls by 457

BHP was off 6 cents at A\$18.02 after an intra-day low of A\$17.78 following the announcement of lower than expected 1995 profits. CRA fell

12 cents to A\$19.15. WELLINGTON was dragged

down by a number of key issues going ex-dividend. The NZSE-40 index shed 19.01 to 2,165.18 in NZ\$46m turnover. In contrast, the small compa-nies index rose 19.19 to 4,432.80, which indicated that many investors were looking for

SEOUL waited for the government to indicate some boost for the market ahead of the April 11 elections, but it was disappointed in this, and demonstrated its disapproval in a composite index 5.48 lower at 863.28. BOMBAY slipped moderately, with few investors prepared to take positions ahead of the forthcoming parliamen tary elections. The BSE-30 index lost 12.69 at 3,226.02.

#### BFCE Banque Française du Commerce Extérieur



#### NET BANKING INCOME ADVANCES 6 %, NET INCOME UP 14 % IN 1995

The BFCE Board of Directors, chaired by Mr Francis Gavois, met March 12, 1996

to approve the name a 1999 conson	THE PARTY OF THE P		- Carolin
onsolidated results in FRF millions	130:	1908	Change
et banking Income	2,115	2,251	+8%
ross operating income	807	792	+ 12 %
et income, excluding minority interests	224	255	+ 14 %
quity capital	7,900	8,100	
ooke ratio	8.6 %	9.9 %	

In a stiff difficult climate for banking activity, BPCE succeeded in generatin higher corporate lean totals both in France and abroad and a significant progression in the volume of fea-income transactions. Assets under transactions assets under nent also grew appreciably le financial market ectivitie meanwhile financial market activitie produced excellent results. Finally, active management of the investment banking portfolio generated a high level of capital gains. The Bank's competitive market activities, which ated for 92 percent of net 11 persent ever 1994. This progress reflects an increase in SFCE's market share that more than

ofiset several counter effects: steadily receding income from the Bank's institutional activities on behalf of the French State, squeezed loan margins, and the contraction of doRar-denominated income due to the substantial drop in that currency's average exchange rate against the French franc. Consolidated met banking income for Consolidated met banking income for Consolidated net banking income to the year thus rose S percent, totaling FRF 2,251 million.

Sharp increase is gross operating income

The year saw a moderate rise in general operating expenses and depreciation leading to a strong advance (+12 percent) in gross operating income which came to FRF 792 million. The beneficial effects of the Bank's cautious credit risk policy continued to be felt, although the need to set askle provisions against exposure to Eurotunnel, and the Bank's decision to continue to strengthen general risk provisions, raised allocations to provisions covering corporate risk. Allocations to provisions for 1995 thus amounted to FRF 398 million.

oteworthy increase in net income and continued strengthening of the Bank's financial base

A further contribution at FRF 80. metion was made to the General Banking Risks Fund (GBRF), which is part of the Bank's equity capital base. After taxes and non-recurring-transactions, consolidated net income

totaled FRF 255 million, excluding minority interests, for a 14 percent prowth rate over 1994. The combined GBRF increase and net the continued cartiff increase and not income appropriation to retained earnings added more than FRF 200 million to equity capital, which now stands at ERF 8.1 billion. Reflecting the confidured strengthenin of the Bank's financial base, BFCE's or the banks instanced uses, crucks solvency (Cooks) railo thus increased to 9.5 percent at year-end, including 5.7 percent for ther one equity. Return on capital, measured by the ratio of net income to capital and reserves came to 6.92 percent for 1995, vincers for 1994.

Mertin

1995, versus 8.15 percent for 1994. During 1996, BFCE will work together with Crédit National for their progressive merger into an integrated group to be completed by early 1997.

#### FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE international Limited, Goldman, Seche & Co. and Standard & Poor's. The Indices are compiled by FT-SE international and Goldman Sochs in conjunction with the Foculty of Actuaries and the Institute of Actuaries, NatWest Securities Ltd. was a co-founder of the Indices.																
REGIONAL MARKETS										LAR WI	DEX					
Figures in parentheses	US	Day's	Pound			Local	Local	<b>Gross</b>	US	Pound			Local			Year
carsi to vocarum works	Dollor	Change	Sterling	Yen	OW	Crimench	% chg	Orv.	Doller	Sterling	Yen	CHA	Currency	52 week 5	2 week	ago
of stock	Index	36	Index	Index	Index	Index	on day	Yield	Index	Index	Index	Index	index	High	Low	(stolocox)
Australia (81)	199.54	-1.3	192.77	134.64	153.05	170.85	-1.1	4.07	202.10	194.90	136.10	155.11	172.77	202.74	158.79	158.81
Austria (24)	. 183 38	-0.4	17715	123 73	140.65	140.50	-0.4	1.61	184.06	177.51	123,95	141.27	141.11	199.28	166.11	186.42
Selgam (25)	. 206.57	-0.6	199.55	139.38	158.43	154.45	-0.6	3.70	207.78	200.37	139.91	159,48	155,38	215.81	174,36	178.49
Brazi (28)	156.B4	0.9	151.52	105.63	120.29	284.91	0.9	1.72	155.47	149.94	104,70	119,33	282,34	170.25	108.08	111.60
Canada (131)	156.20	0.2	150.89	105 39	118.80	154.10	0.2	2.44	155.89	150.34	104.98	119.65	158.71	158.71	132,37	132.58
Denmark (351	292.67	-0.2	282.74	197 48	224.48	226.63	-0.2	1.80	293,28	282.64	197.50	225.09	227.36	305.17	252,41	260.79
Prizand (24)		0.3	179.52	125.39	142.53	179.28	0.3	2.74	185.37	178.71	124.79	142.22	178.82	276.11	171.13	178.01
France (96)		-0.1	180 93	126.38	143.65	148.74	-0.1	3.12	187.46	180.79	126.24	143.87	148.83	181.17	187.70	
Germany (SC)		0.2	168.46	117.66	133.75	133.75	0.1	1.92	174.04	167.85	117.20	133.58	133.58	174.38	142.25	
Hone Kone (59)		-02	418.68	292.42	332.39	430.18	-02	3.36	434.13	418.68	292.35	333.20	430.92	451.19	323.87	
ireland (15)		-0.0	251.20	175.45	199.43	231.85	0.0	3.48	260.03	250.78	175.11	199,58	231.93	285.00	207.72	207.72
Raty (59)		-1.2	70.50	48.24	55.98	85.18	-0.8	2.12	73.84	71.21	46.72	56.67	85.85	82.71	66.30	
Japan (482)		-0.4	144,84	101.16	114.98	101.18	-0.2	0.76	150.49	145.13	101.34	115.50		164.82	137.75	
			532,60	372.00	422.85	540.06	-0.2	1.60	552.18.	532.51	371.83	423.79	541.21			
Malaysia (107)		-0.1												561.96	425.77	472.60
Mexico (18)		1.8	1134.22	782.21	900.51	9702.72	1.7	1.43	1155.61	1114.48	778.21	888.94		1237.14	683.23	663.23
Netherland (19)		0.2	275.77	192.81	21295	215.18	0.2	3.21	284,77	274.64	191.77	218.57	214.67	285.96	228.30	230.26
New Zealand (13)		0.9	81.75	57.10	64.91	65.39	0.9	4.50	83.87	80.86	58.48	64.37	64,79	85.49	72.39	72.79
Norsay (33)		0.1	231.12	181.43	183.50	208.43	0.1	2.40	239.00	230.49	160.94	183,43	208.1S	243,79	205.19	207.48
Singapore (44)	442.97	-0.4	427.93	296.89	339.75	287.77	-0.4	1.39	444.50	428.77	299.48	341.23	288.96	485.21	350.18	355.03
South Africa (45)	387.44	0.5	37 <b>4.2</b> 8	261.42	297.16	332.12	0.7	2.54	385.46	371.74	259.58	295.84	329.71	437.76	329.21	336,12
Soun (37)	169.82	-0.4	164.08	114.58	130.2S	159,51	-0.5	3.42	170.54	164,48	114.85	130.89	160.37	175.88	124,10	124,95
Sweden (46)		1.2	337.89	236.00	268.27	342.81	0.6	2.39	345.53	333.33	232,78	265.27	340.67	351.18	212 23	235.84
Switzerland (39)		0.7	241.93	168.98	192.07	185.30	0.6	1.53	248.62	230.96	167.56	190.97	164.23	250.43	176.45	178.93
Thailand (45)		2.8	175.85	122.62	139.61	178.46	2.5	1.83	177.A7	171,18	119.51	138.21	173.99	193.95	134.53	140.96
Urrad Kingdom (205)		0.0	222.74	155.57	176,84	222,74	0.2	4.20	230.50	222.33	155.22	176.91	222.30	235.50	201.78	201.78
USA (631)		0.2	258.54	179.18	203.68	265.55	0.2	2.18	265.03	255,60	178.48	203.41	265.03	269.11	202.54	202.54
											400.00		ANA 40			
Arrenada (178)		0.2	234.04	163.47	185.81	203 62	0.2	2.18	241,75	233.15	182.80	166.54	203.15	245.54	185.05	185,05
Europe (726)		0.1	199.98	138.66	158.77	178.77	9,1	3.06	208.83	199,47	139.28	158,74	178.56	207.01	172.78	173.69
Nortic (136)		0.7	286.43	200.06	227,41	254.48	0.4	2.34	294.36	283.88	198.22	225.92	253.51	297.48	<u>272 22</u>	226.66
Pacific Basin (832)		-04	158.13	110.4S	125,55	113.1S	-0.2	1.20	164.29	158.45	110.64	126.10	113,38	171.87	148.86	151.28
Euro-Pacific (1556)	181.54	-0.1	175.47	122.56	139.31	138.02	-0.1	209	181.91	175,44	122.50	139.62	138,09	183.39	158.92	160.51
North America (732)		0.2	250.01	174,62	198,49	258.10	0.2	219	258.20	249,10	173.94	198,24	257.59	282.26	198.21	198.21
Europe Ex. Uk (\$21)	189.08	0.1	182.66	127,58	145.02	153.27	0.1	2.47	168.85	182,13	127,18	144,95	153.15	189.08	153.44	154.95
Pacific Ex. Japan (350)		-0.3	280.18	185.70	222.45	252 27	-0.3	2.97	291.04	280,68	195.99	229.37	253.09	293.58	233.75	234,69
World Ec US (1750)		-0.1	176.79	123.48	140.36	142.23	0.0	2.10	183.21	176.69	123.38	140.61	142.25	184.71	159.65	160.94
World En. UK (2176)		0.0	199.29	139.19	158.22	173.18	0.1	1.93	205.25	198.91	138.89	158.30	173.07	207.64	170.30	170.75
World Ex. Japan (1899)		0.0	232.50	162.39	184.59	226.62	0.1	2.54	240.35	231,79	181.85	184.47	226.27	242.17	181.14	191.42
442-51 Er 1-1000 (1993)	40.01	Ų. 1	التي عدد	102.30	104.45	220.02	V. 1		~~~	291,14	ليسرد يد.	Permiti		- STREET	101.14	181.42

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#### ASEA

Notice is hereby given that the Annual General Meeting of ASEA AB (publ) Shareholders will be held at Aros Congress Center, Munkgatan 7 in Västerås, Sweden at 10.30 a.m. on Friday, April 19, 1996.

Matters to come before the Meeting, as pre- (1) to change the Company's name from ASEA scribed by law and the Company's Articles of AB (publ) to ABB AB (publ); (ii) to include Association, shall include: presentation of the Annual Report for the year 1995 of ASEA AB and of ASEA and associated company together with Auditor's Report resolutions in respect of the adoption of the Income Statements and Balance Sheets for ASEA AB and for ASEA and associated company: resolutions in respect of the disposition of the unappropriated income of ASEA AB according to the adopted Balance Short and determination of the record date for the dividend: resolutions in respect of the Directors'and the President's discharge from liability: determination of the number of Directors and deputy members of the Board: election of Directors and deputy members of the Board: election of Auditors and Deputy Auditors: determination of the fees for the Board of Directors and the Auditors.

In addition to the matters listed above Board of Directors to make, inter alia, the following changes in the Articles of Association:

certain provisions concerning pre-emption rights for shareholders in the case of increase in the share capital through a cash issue or a borns issue of shares; and (iii) to change the number of the Board of Directors to four only.

Shareholders representing more than 40 percent of the total voting rights in ASEA proposes the election of Mr Class Dahlback, Dr Björn Svedberg, Mr Donald H. Rumsfeld and Mr Peter D. Sutherland as members of the Board of Directors of ASEA.

Shareholders who wish to participate in the Annual General Meeting must notify the Board of Directors of their intention to attend, either in writing under the address ASEA AB, P.O. Box 7373, S-103 91 Stockholm, Sweden, by telephone +46-8-670 7430 or by telefax +46the Meeting shall consider the proposal of the 8-6136565, not later than 12:00 noon (Swedish

local time). Monday, April 15, 1996. Shareholders must state their name,

personal registration number (whereapplicable). address, telephone oumber and the number of registered shares held.

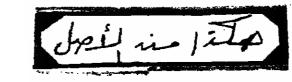
Only those shareholders who are recorded in the Shareholder' register maintained by Vardepapperscentralen VPCAB (Swedish Securities Register Centre) not later than Tuesday, April 9, 1996 are entitled to participate in the Meeting. Shareholders, whose shares are held in trust by banks or other trustees, must tempotarily reregister their shares in their own names not later than Tuesday, April 9, 1996, in order to be eligible to participate in the Meeting. Sharebolders must advise trustees of this request in ample time before April 9, 1996.

#### Dividend Payments

The Board of Directors has proposed Wednesday, April 24, 1996, as record date for payment of the dividend. If the Annual General Meeting. approves this proposal, it is expected that the dividend payments will be made through Vändepapperscentralen VPC AB on Thursday. May 2, 1996.

By order of the Board of ASEA AB (publ).

Stockholm, Sweden, March, 1996.



Fear of mass

slaughter hits

dairy shares

By Alison Maitland, David

Blackwell and Jimmy Burns

Share prices of dairy and

animal feed companies fell

sharply yesterday amid fears of

a mass slaughter of dairy cows

and a deepening consumer

Unigate lost 30p to 407p and

Northern Foods feli 16p to 183p

on concern that a cuil of cows

would create milk shortages

for dairy processing compa-

A dairy industry official said

a slaughter of herds could lead

to thousands of job losses in cheese, butter and skimmed

milk powder manufacturing as

scarce milk supplies were tar-

geted at the priority liquid

milk market and imports of

Between 12,000 and 15,000

people are employed at about."

200 plants across the UK mak-

ing cheese, butter and milk powder. Either we end up

without fresh milk supplies or

the cheese industry goes out of

Dalgety, which produces ani-

mal feedstuffs, saw its share

price drop 14p to 424p. Feed

companies face increased raw.

material costs following last

week's ban on meat and bone-

meal in pig and poultry feed.

There are also fears a slaugh-

business," said the official.

dairy products increased.

backlash against beef.

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والمصاد المراج Market that the gair troigh 100 100

# Planting of party

n Minan or Frier on Case of Ca Misself misself Mr William Lag

The increasing M Dew Subscribes s edited by William Michael Morgan ad

> ter of cattle would depress demand for feed. Wimpy international and Wendy's International, the burger restaurant chains, yesterday followed McDonald's in dropping British beef from

One of London's most popular beef restaurants, the Dutchowned Gaucho Grill near Piccadilly, launched a publicity campaign to reassure its customers .that . it . serves only imported Argentine beef.

Retailers are also stepping up measures to reassure customers that food containing beef or beef by-products is safe to eat.

Mr John Simons, chief executive of Hazlewood Foods, a main supplier of beef products to large supermarket groups, said: "We have been asked to beef products."

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The UK's biggest single slaughter company, ABP, yes-terday warned that it may have to lay off between 350 and 400 workers because of a steep cut in demand for British beef as a result of the BSE scare. Mr Richard Cracknell. ABP's deputy chief executive, said: "Clearly we've lost our export markets, which repre-

sented about one-third of our ontpnt, and domestic consumption is down. So we've decided to stop slaughtering until the situation becomes ABP has more than two week's stock of slanghtered beef which it is now resigned

to never selling, except possi-bly into EU intervention

look at 100 per cent sourcing of beef outside the UK. Retailers have asked us to explore the feasibility of being able to do it - although they have not actu-

ally asked us to do it. Two-thirds of Hazlewood beef already comes from South America bnt Mr Simons said supermarkets were concerned there should not be any interruption in supplies in the event of tough new measures such as a slaughter of the UK

He said sales of ready-made lasagne and cottage pie were down, and consumers were switching to other ready meals such as vegetarian dishes or those containing fish or white

Tesco, the supermarket group, said: "We're looking long-term at all our products containing anything vaguely related to beef."

It has asked suppliers to investigate alternatives to gelatine, a product derived from beef bones which is used as a gelling agent in a wide range of foods including cheesecakes and yoghurts.

Marks & Spencer said it was considering issuing additional information to customers reassuring them about the quality and safety of its UK beef and

### NEWS: UK Government may face lawsuits over CJD

By Robert Rice and Mark Suzman

The government could face legal action from victims of Creutzfeldt-Jakob Disease linked to BSE, lawvers said yesterday. The Law Society said it was unaware of any cases being launched so far; until recently it was thought impossible to prove the fatal human brain condition was caused by BSE.

But the admission by government scientists that 10 recent

1 26¢

cases of CJD involving people under 45 were more likely than not to be linked to BSE had improved the chances of successfully proving causation.

Mr Richard Meeran, a partner with London law firm Leigh Day & Co said: "We are told that statistically these cases are unlikely to have arisen by chance and of all the competing causes BSE is the most likely. If that assessment is correct and scientists backed that in a legal setting, you would be able to prove causa-

tion." Mr Meeran said there would still be problems in proving government negligence. The important period was between 1986 and 1989 and little was known about what was going on in government at the time.

Experts would be needed to testify as to when the disease was likely to have been contracted and the likely incubation period. The more recently the disease was contracted the stronger the case in negligence, he said.

ment to the risk that BSE would not have a vast impact might cross the species barrier and infect bumans would also have to be explored. A requirement to take adequate precantionary measures is increasingly being seen in the European context in such areas as environmental laws The question of whether other countries would have acted

said yesterday that even if CJD

more quickly might therefore

on the health insurance industry. The nature of the disease meant it was not covered by the vast majority of policies.

A spokesman at Bupa, the country's largest provider of Private Medical Insurance (PMI) said that the company was not concerned about the possible impact of CJD because it is a "chronic" illness - one that is incurable or cannot be However, health insurers improved by medical treatment

### EU wary of pleas for extra aid for British farms

By Caroline Southey in Brussels

Britain will have to make a strong case in favour of bailing out its cattle farmers affected by the BSE crisis if extra European Union aid from the Common Agricultural Policy is to be released, according to EU

Mr Douglas Hogg, the UK minister for agriculture, said st the weekend that the British government hoped the European Commission would provide an emergency aid package to help pay for a slaughter pro-

There is nothing automatic about any compensation for situations like this," an EU official said.

Mr Franz Fischler, EU commissioner for agriculture, is not expected to address the question of aid for Britisb farmers until the UK has presented its plan for eradicating or containing BSE, and a cost

assessment of the action. Nothing can happen bere until the British government comes forward with a plan." the EU official said.

EU officials point out that there are no precedents for funding projects on the scale being considered by the UK, although the Commission was involved in co-financing programmes with EU member to eradicate foot-and-mouth disease and

swine fever. EU officials have also

warned that Mr Fischler will face severe constraints when considering what funds to make available in any emergency package. "Prudence is the watchword in Brussels. Nothing can be taken for granted," the official said.

Agricultural officials point out that most of the CAP budget of Ecu40bn for 1996 bas been accounted for and that expected savings of Ecu4bn between 1997 and 1999 are not expected to materialise until after next year.

Other options for possible assistance for farmers appear fraught with difficulty. Traditionally, the EU bas been obliged to buy stock under the intervention system, according to which it takes agricultural produce when prices fall below certain levels.

For beef, prices have to fall below 60 per cent of the intervention price of Ecu260 per 100kg and remain there for two weeks. UK beef prices are currently below that level. However, EU officials point out that the Union has always bought into intervention knowing that it could resell the

Similarly, it would be reluctant to grant farmers export refunds for produce if "there was a reasonable suspicion that the produce was unsellable", the trade official said. The EU has only meagre provisions under the CAP for disease "eradication" programmes - a total of Ecu67m this year.

#### About-face on nuclear sell-off

The government yesterday pledged £230m (\$352m) of public money to help cover decommissioning costs of nuclear power stations. The move reversed its promise that the private sector would shoulder all liabilities as part of nuclear privatisation.

The climbdown is understood to have salvaged the £2.6bn privatisation of British Energy, the future owner of the UK's nuclear generators. which was threatened by a row over liabilities.

Mr lan Lang, trade and industry secretary, yesterday offered "an initial endowment of £230m (to start up) the segregated fund for the long-term decommissioning of British Energy's nuclear power sta-tions after privatisation." British Energy, which is due to come to market this summer. will be required to pay into the fund about £16m a year out of its revenues from electricity

#### **Jardine Fleming** arm investigated

Jardine Fleming, the Far Eastern investment bank half owned by Robert Fleming, yesterday said its asset management arm had been under investigation by UK regulators since last month. It denied any wrongdoing.

Imro, the UK regulator for the fund management industry, is believed to be examining whether employees of Jardine Fleming Asset Management made personal profits at the expense of clients.

But it has come to no final conclusions and Jardine Fleming said: "We do not believe there has been any impropri-

#### Top airports

Manchester Airport and Changi Airport, Singapore, bave been voted the world's two best airports by world airline passengers, the international Air Transport Association said. London Gatwick was ranked 12tb and Heathrow 26th. Manchester scored 8.32 points out of 10.

### Scots protest at England link

A Customs officer in the port of Calais in northern France inspecting a meat truck from Northern

Ireland yesterday before it was barred from continuing into France. The Ulster Farmers' Union is

urging the British government to establish a separate health status for beef from Northern

Ireland, where 10 per cent of UK cattle are kept. The union said the incidence of BSE in the region

By James Buxton in Edinburgh

The Scottish National party said yesterday that the British government should take steps to distinguish Scottish beef produced on farms covered by a quality assurance scheme from other British beef. The party said such a distinction would be justified because Scotland has a much lower incidence of BSE than

Mr Ron Gibson, the party's agriculture spokesman, said more than 6,000 farms - or 70 per cent of livestock farms in Scotland - had signed up to

Lamb Association. Scottish quality beef could therefore be traced back to BSE-free farms. "But Scottish quality beef is being tarred with the BSE brush across Europe and the

world," he said. Most Scottish beef herds are fed natural products such as grass, turnips and silage and have not been exposed to the ruminant-based feed which carried BSE. A far smaller proportion of cattle in Scotland are dairy cows, which have been

worst affected by BSE. The party also intends to petition European countries to accept Scottish beef which is

the Scottish Quality Beef and covered the quality assured

 The BSE crisis will push up raw material costs to animal feed companies, the Agricultural Supply Trade Association said yesterday, Alison Maitland writes. The British government's decision last week to ban the use of animal protein - meat and bonemeal - in feed for pigs and poultry means feed manufacturers are scrambling for alternative non-animal sources of protein.

However, substitutes such as fishmeal and sova bean meal are already expensive because of worldwide shortages.

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For many years, corporate research and development took place in splendid isolation. Companies built leafy. secluded research laboratories to the countryside where scientists could give full rein to their creativity, untram-

melled by commercial pressures. But this physical separation which was murrored in the detached attitudes of researchers - has

become increasingly unfashionable. R&D functions are going through a quiet revolution, driven by intensifying competition and shorter product life cycles. They are becom-ing more closely linked to other parts of the business; researchers are becoming more aware of business economics and the needs of

The urgency of these issues was underlined at a recent meeting of the technology heads from 14 of Europe's most research-intensive companies at Lake Geneva. The colloquium, organised by consultants Arthur D Little, brought together senior technology managers from Philips. BT. Renault. Nestle, ABB. Audi, 3M. Nokia, Ericssoo, Aerospa-tiale, BASF, Royal Dutch/Shell Group, Siemens and BMW,

Three closely interwoveo themes emerged as the top priorities in lechnology management over the

next five years:

First, building "a seamless innovation process", by bringing together everybody involved in product development from those who dreaml up the original idea to those who took it to market.

This means bridging different functions within the organisation. to get away from the "not invented bere" meotality, "We need to change the management style from a functional to a team organisation, with teams consisting of people representing the whole process: mar-keting people, R&D people, manufacturing people and so on," says Ulrich Hackenberg, a senior man-

ager of Audi. Second, changing the "mindset" In the R&D division, by inculcating a greater commercial awareness among R&D staff, "Mindset is a major Issue." says Jim Street, group research co-ordinator of Royal Dutch Shell Group.

"All our research people could pass a test on economics; some of them have a very high level of urgency. We just want to change their [the research staffs] mindset so that they understand they get to feel good only if two things happen: they get the job done, and the busi-uess they support performs to corperate standards.

 Third, the "strategic" management of technology. This involves developing a clearer understanding

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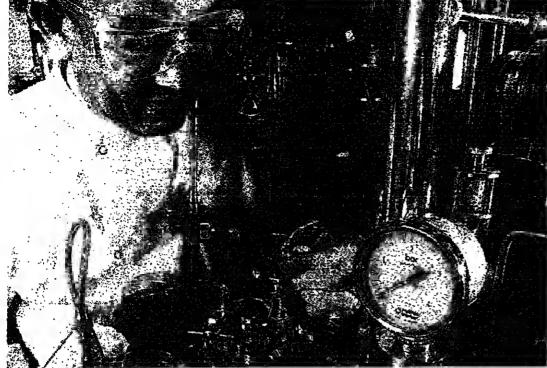
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### Quiet revolution

Vanessa Houlder begins a series on the new pressures for R&D managers amid intensifying competition

of what could happen in the tuture, order to acticipate potential shifts in technologies and markets. 'We need to have a way of planning for the unexpected," says Jorma Mobrin, vice president of Ericsson. There is no crystal ball, and predicting what's needed for the future is risky, but someone's got to do it and that responsibility seems to be falling to the chief technology

Ron Jouasb, vice president of Arthur D Little. Moreover, companies believe they should be building up a clear sense of which competences should be maintained internally and which would be better coming from out-

officer more and more," comments

The need to speed up product innovation underpins many of these goals. Cralg Tedmon, executive vice president of ABB, argues that researchers in corporate laboratories tend not to have a compelling need to get to the marketplace. Historically, maybe that was OK but today our markets are so unbelievably competitive that you simply have to move as absolutely fast possible," be says.

Increasingly, companies believe

that rapid new product development depends on teamwork between people from different parts of the business, in a recent project, BMW took all the members of the development team off-site for two

weeks, to get to know each other and crystallise their ideas. Audi believes it cut the developmeut time for the Audi A4 hy half, by forming "concept" teams of 15 to 20 people who represent all the

We have short-term profit and loss pressures which do not allow us to focus on long-term visions'

departments involved. ABB also favours off-site, crisistype teams for developing new products. Moreover, It uses "war-game" exercises, with marketing staff representing customers, to simulate the market's response to new ideas. The exercise can have a "very confrontational and certainly controversial" element, says Tedmon. He argues, however, that ideas are best criticised within the company before they are exposed to customers and competition.

The responsibility for the gulf in attitudes between R&D and other parts of the organisation does not lie solely with researchers. According to Arthur D Little, marketing experts are less concerned than R&D people about improving their relationship. When ADL invites equal numbers of marketing and research people to conferences on the interface between R&D and marketing, 90 per cent of the audience is made up of R&D specialists. Indeed, some organisations are

increasingly concerned about how to maintain the balance between projects that focus on customer needs and longer-term issues. "We have short-term profit and loss pressures which do not allow us to focus on long-term visions," says Wolfgang Zlebart, a BMW director. "There is a reluctance to take risks in these short-term, prof-

it-driven times," says Claus Weyr-lch, vice president of corporate R&D at Siemens Kees Bultbuis, senior managing director of Philips Research, admits

that the company's restructuring

has made it difficult to persuade people to work in long-term research for fear of being seen as second rate. "This is absolutely the wrong message, and one without any real foundation, but this kind of thing happens in a company where yon are under strain," he notes.

Graham Davies, manager of the corporate research programme at the right balance between short-term and long-term work. "People who work on customerfacing projects always think they are much more important projects than corporate-type research." he says. "Most important for me is going to be making sure that the marketing and the customer-facing divisions understand the impor-

tance of longer-term research."

Many of the technologists that took part in the seminar believed that economic, financial and regulatory pressures have led to much more focus on the short term. Many companies have stripped out apparently non-essential overheads, such as long-term planning departments, in a bid simply to survive.

Kaj Lindén, senior vice president of technology at Nokia, says: "The long term in our minds has almost disappeared. Two to three years is

the longest we think ahead."
Ron Jonash, vice president of Arthur D Little, points out that North American companies - which usually embarked on "re-engineer-ing" R&D departments before their European counterparts - bave tended to focus on the short term and cut longer-term technology development. Now, all of a sudden, every CED in every company in the US is talking about longer-term R&D, asking 'what are the new

ideas?"," he says.
US companies are acutely aware of the need to find ways to measure the long-term impact of technology on the bottom line. "There is a feeling that the R&D and technical community has got to get on board in adopting measures that relate to the value of the company," says Jonash.

The picture painted by the semi-nar is nf intensifying pressure on R&D managers, as they struggle to maintain the quality of long-term research while satisfying sbort-term business demands.

At present, companies believe they can square this circle by improving the link between technology and other parts of the business The importance of building bridges between different parts of the husiness has risen steeply in its perceived importance in recent years to the point where it is more important even than improving the R&D function itself.

Says Bulthuis: "I think you gain much more by having that linkage than from baving greater effective ness in R&D Itself."

### Transplanting knowledge

Animal cells may be transferred to humans, writes Victoria Griffith

recent experiment that transferred a baboon's bone marrow to an Aids patient in San Francisco a few weeks ago did not provide the cure scientists had been hoping for.
But researchers believe the concept behind the trial – the

transfer of animal cells to humans — may soon play a role in treating a number of debilitating illnesses such as diabetes, Huntington's disease and multiple

While the transplant of animal organs to humans – known as xenografts - will probably not meet with success for many years, researchers believe such transplants at the cellular level are not far nff.

Animals are considered a prime source for transplants because of the serious shortage of buman donors. The idea is for the cells to act as mini-factories, producing substances the patient needs. A number of diseases are triggered by the lack of certain substances

in the body.

The US hiotechnology company
CytoTherapeutics, for instance, is
testing analgesic-producing calf cells to block pain in bumans, while annther US group, Diacrin is experimenting with insulinproducing pancreatic islets of pigs to treat diabetic patients.

CytoTherapeutics is also using cellular xenograft technology to take aim at Alzheimer's and multiple sclerosis, while Diacrin is looking at treatments for Parkinson's and Huntington's.

Astra, the Swedish pharmaceutical group, has licensed CytoTherapeutics' pain technology, which analysts say has tremendous potential. "It looks very promising, and pain is a multibillion dollar market," says Marc Ostro, a biotechnology analyst at the Uning Bank of Switzerland.

As in animal-to-buman organ transplants, rejection by the host is the main risk in cellular xenografts. Unless the cells are protected from assault by the host's immune system, they will be recognised as intruders and attacked.

Rejection is a problem not just because it erases any medical benefit but also because it may

trigger an auto-immune respondant can in itself be fatal. The solution in human-to-buman transplants has been to suppress the patient's immime system, but this is highly risky, and in the case of chronic illness, unthinkable.

Masking the cells so that they will be accepted by the host is a principle component of xenograft research. Cyto Therapeutics does this by wrapping the cells in a semi-permeable silicon cylinder. "We haven't seen any immune response in any of the patients involved in nur numan trials." says Seth Rudnick, chief

executive.

In a different approach, Diacrin coats its animal cells with an antibody to prevent rejection by the host. The antibody in effect plugs up the part of the cell the mune system would recognise as foreign.

"Encapsulating the cells, as CytoTherapeutics does, wouldn't work in the case of Huntington's or diabetes, where we need the cells to interact with the rest of the body," says Jonathan Dinsmore, the scientist who is in charge of cell transplants at the

In both methods, there is a risk that the xenografts would transfer animal viruses to bumans. CytoTherapentics believes its encapsulation method provides superinr protection, but scientists say the membrane could break inside the body. "This could Pierre Galletti, a professor at Brown University in Providence, Rhode Island, and founding scientist of CytoTherapeutics.

Rudnick, however, says the animals which CytoTherapeutiocs uses are observed through generations for signs of any virus that could reach the host's body.

The social acceptability of the cell xenografts is another uncertainty. For cellular xenografis, scientists are forced to kill the donor animal. Rudnick believes the technology is morally more acceptable than animal-to-human organ transplants because a single group of cells can be cultured in the laboratory to treat a large number of patients.

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### Timeless Greek beauties

William Packer visits Venice to see the products of a remarkable people

mong the 14 important exhibitions held at the Palazzo Grassi since il was acquired by Fiat more than 10 years ago, there have been two of broader cultural scope than the purely art historical or aesthetic. Each in its way opened up its subject to a general audience in the light of the latest archaeological research and speculation.

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First it was the Phoenicians, then the Celts. Now it is the turn of the Greeks, but not the Greeks of ancient Greece itself, the fount of All Civilisation as We Know It. but the Greeks of the diaspora, most especially westward, and most of all to the southern half of the Italian peninsula and to Sicily, indeed, this exhibition might as well have been called the Greeks in

We know from Homer that the Achaeans were an aggressive, energetic and wandering nation, and the point is well made at once that the expansion from the Minoan origins, through the Aegean and on through the Mediterranean, was under way long before Athens rose to its comparatively short-lived pre-eminence in

the 5th century BC. Cumae in the Bay of Naples, perhaps the first Greek poleis or independent city-state in the west, was set up by Euboeans from around Chalcis in about 750BC. The essentially imperial idea, that all flowed from the centre. the metropolis, and remained dependent on it in terms of duty and alle-

giance, does not hold.

The point is hammered home in the chronological arrangement of the show, which takes the slory from the earliest heroic beginnings, lo the slow belienistic decline and the final fall under the sway of Rome. It is a story told in terms of parallel development and exchange, and the golden age of Periclean Athens is almost incidental

at about half-way.

That is not to say that there was no central cultural influence. Trade and commerce would have made it inevitable to some extent, and such shared and apolitical institutions as the Olympic Games, theatre and religion, worked a strongly unifying effect. But any exchange was clearly both ways and back again.

One of the most beautiful objects, in its sculptural purity, is a bronze helmet of a Corinthian type, of about 474BC, found beside the Alph, the sacred river, at Olympia. The engraving on its side tells us it was taken as booty from the Etruscans at Cuma, and brought here by "Hiaron the Dinomenide and the Syracusans" as an offering to Zeus.

A pair of large, rather squat painted pots - the ceramics are spectacular with tall, angular, horn-like handles, are Daumian in form but yet with Attic decoration. Was the artist a visitor from Greece, had he trained there, had he picked the manner up from an itinerant painler, or from what had

passed through his hands?

It was long thought the spread of the Attic style was fed from a central source, but the discovery of kilns and workshops full of the stuff in southern Italy explodes lhe myth. Exchange and movement are the rule.

The strength and vigour of the work of the western Greeks sing out. in sculptural form, drawing and decoration alike. Such qualities off-set what might be thought a lack of metropolitan purity or sophistication, or a falling away from the high ideal of

ndeed, they register an openness to other influences and sources, a touch of Etruscan here perhaps, in some of the tutelary figures, or the Celtic there, in an extravaganl bronze tripod, decorated with eaves and heasts.

It is all too easy, here in Venice, to see in the grotesque stylised masks actors of the 3rd century BC, a distant foreshadowing of the commedia

The drawing on the pols is an unfailing delight, wonderfully inventive and direct, and almost modern in the simplicity the pottery imposes. To think of Picasso and Matisse in this connection is a cliche of modern criticism, but unavoidable. It does these delicate, timeless images of Arcady, nymphs and shepherds, gods and heroes, no harm.

The perception of the essential decadence of the Hellenistic period, between the decline of Athens as a power and the rise of Rome, has for



Greek treasures in Venice: Busto di Proserpina, terracotta, Museo Civico 'G, Fiorelli', Lucera

too long been another, hut more damaging critical prejudice. Is It its easy naturalism, with the whiff of hedonism aboul it, that so upsets the pur-

Even so, the period produced some of the most beautiful of all sculpture. represented here by a number of remarkable things - a sinuous statu-ette of a headless woman: a nuda female hust, modelled in clay as freshly as any French terracotta portrait of the 18th century; two tiny lerracotta girls at knucklebones lall from the 2nd century BC).

Opera / David Murray

At the centre of the show sit the two Throne reliefs, of Boston and Ludovisi, rehearsing the old controversy of their putative relationship. It hardly matters, though I doubl the Boston Throne to be the 19th century fake some believe it, carved as it is from marble from the same quarry as the Ludovisi. It is just not so

The Ludovisi, dating from about 460BC, is wonderful, even though it lacks the heads of the supporting figures, whose exquisite arms, fully carved, reach down to lift Aphrodite

from the waves. It is enough. A magnificent bronze ram from the 3rd century BC, outsize and heautifully patinated over an age of stroking, unofficially but effectively con-

This is a dense exhibition, made too dense perhaps by the texts on every wall. Impossible to summarise, it is fascinating nevertheless.

cludes the show.

The Greeks in the West: Palazzo Grassi, S. Samuele, Venice, Italy, until December 8. Sponsored by

more pungent tang, as befits Stravinsky's between-several-stools opera. If Hopkins' sets and costumes

iumping deliberately through successive periods from the notional time of the Hogarth-inspired story to the date of the operatic première (1951), registered no great cumulative effect - the unstable, eclectic manners of the opera are unsettling enough - each scene

boasted a clean stamp. Paul Nilon's crisp little Rake and his Anne Trulove, Alwyn Mellor, were vigorously stylish, with elegant support from Claire Powell's bearded-lady Baba and Neil Jenkins' auctioneer.

As Nick Shadnw, the devil himself, Bryn Terfel's looming presence was sufficient without all the heavy menace he forced upon his vocal line. Relentless suavity o la Auden, the librettist, would have served his turn well enough and offered more musically expressive variety.

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#### Theatre / Sarah Hemming

### War memories exorcised

ohn Misto's The Shoe Horn Sonata is a disconcerting axample of the fact that a great subject does not always make a great play. Misto's Australian play, receiving its British premiere at the King's Head in Íslington, explores a great subject, and does so with compassioo and concern. But his style and structure are efficient. rather than subtle.

The play tells the story of two women interned in a Japanese PoW camp during the second world war: Bridie, an Australian army nurse, and Sheila. the well-bred daughter of a British colonial family. We meet them 50 years on, as they are reunited in Melbourne for a television programme about their experiences.
We learn how they met, both

fighting for life in the South China Sea after their boats were torpedoed during a bungled evacuation from Singapore. We hear how they hecame inseparable during their grim years in camp. We gain a picture of the cruelty of the Japanese prison guards. the bravery and fortitude of the women and the shocking indifference of their respective governments, who found the women's predicament an emharrassing indictment of their own incompetence.

All these revelations are made before camera to an offstage voice asking sensitive questions. But the true motor of the play is a psychological detective story; why did the two women, having been so close during the war, never see

each other again for 50 years? As the play gropes towards the answer to this question, Misto contrasts the memories recalled in the TV studio with the slower, more painful journey towards the truth conducted in Sheila's hotel bedroom. And in so doing, he explores, interestingly, the validity of exorcising old demons and the real cost of the war for the two women.

It is a moving subject, and the play commands your attention throughout, leaving you in no doubt of Misto's respect and admiration for these women. But it is also a subject that invites sentimentality, which Misto does not always avoid, and melodramatic outbursts. which turn into pure ham on stage, despite the best efforts of director Dan Crawford and of Susannah York and Maggie Kirkpatrick, who play Sheila

This is a pity, for otherwise the two actresses are nicely counterpoised: York is all pinched lips, delicate poise and refinement as Sheila, who has buried her grief in self-denial and Kirkpatrick is all bluff no-nonsense and cheery bluster as Bridie, who has concealed her pain beneath a dev il-may-care attitude.

Their final reconciliation, as they waltz round the hotel hedroom, is louching, but it is achieved through the sterling persistence of the actresses and their commitment to the material, rather than through the writing itself.

Continues at the King's Head, London N1 (0171-226 1916).

#### Music / Richard Fairman

### Cleveland diplomats

tra is described by the state governor as "Ohio's hest international ambassador". This year it is being kept busy with ambassadorial missions, as this eight-city European spring tour will be followed by a visit to the Salzburg and Edinburgh

Given the fanfare for lis

have been disappointed that paid attendance at the Royal Festival Hall concert last week
- its sole UK date on this tour was nol higher. Christoph von Dohnanyi, who has been music director since 1984. Is no stranger to London audiences thanks to his close association with the Philharmonia and had managed to secure full houses for them earlier in the year at concerts fairly similar to this

festivals in the summer.

Perhaps the Cleveland Orchestra is short on mystique - that special aura that seems to form a balo over the heads of the Berlin and Vicona Philharmonics, even when they are playing at less than their best. Cleveland's history since the second world war has been honourable, but less glamor-ous; two decades of strict classicism under the fearsome Georg Szell, calculated precision under Lorin Maazel in the 1970s and now Germanic thoroughness under Dohnanyi. Purely technical standards of

ensemble and discipline have been high throughout - and still are, to judge from last week's concert (despite a few jet-lagged slips). Dohnanyi ls no slouch. Just as he challenges his players to reach their top level, so he asks audiences to open their minds. It was a novel idea to open with Ligeti's Atmosphères and then go straight into the Prelude to arrival, the orchestra must Act I from Wagner's Lohenorin - coutrasting examples of composers exploring motionless sounds hanging high in the

> The performance of Schumann's "Spring" Symphony that followed was echt Dohnanyi, strong on rhythm and clarity, structure and impulse, hut without much beauty. It sounded less romantic than usual. Stravinsky's Firebird, performed complete, made an impressive second half and showed the grip that both conductor and players exert on a complex score. There was marvellous detail to enjoy here and virtuosity that never seemed to dazzle for its own sake, in the last hrass peroration Dohnanyi did not add any gloss or draw out the cinematic final credits; he just played the notes, as written. Stravinsky would have approved.

> Sponsored by the Ohio Department of Development. Tour ends in Paris on April 3, 4 and

#### he Welsh National Opera played Covent Garden last friendly acclaim. For their 12th London "Amoco Season" they brought a new Cav-&-Pag double hill and a new Stravinsky Roke's Progress (reviewed from Cardiff hy Richard Fairman) It is worth looking hard at such

tors; for we may soon find selves depending upon them. We n to be approaching the crazy nt when both of our London opera houses will be shut for a couple of years, and visiting companies will have to be a large slice of opera-lovers' bread-and-butter.

Both productions - or all three, if yon like, though Elijah Moshinsky's stagings of Cav and Pag are clearly designed as a united pair, played off against each other by contrasts took handsomely to the larger

For Mascagui's Cavalleria Rusticana, Michael Yeargan's ripely naturalistic Sicilian piazza served the plain, folksy action (what else could you do with this piece?) very well.

Famous Tune rings out from Welsh visitors

For Leoncavallo's Pagliacci melodrama he took the scene chronologically forward, and allowed himself more fantasy: some 20th-century trappings in a stark. visually gripping set, dramatically lit by Howard Harrison. Althungh Can sounded honest and

cultivated, it remained temperate: our withers were not remotely wrung. The WNO's conductor Carlo Rizzi is much admired in Rossini, but in Mascagni's watery-popular idiom he was shy of incisive effect - there were many sweetly musical, sedulously drawn-out passages, much of a muchness, without strong highs

or lows. The principals (Dennis O'Neill,

Anne-Marie Owens, Peter Sidhom and Menai Davies) went sincerely through their roles; only Leah Marian Jones, as the neglected wife Lola, showed some vital backbone in her modest part. When the O'Neill and Owens voices

united for the Famous Time. It was less of a climactic thrill than a matter of turning earnestly to the next page. The WNO chorus were imwontedly tame, probably because like everybody else - they were singing a one-off performance in a higger house than they are used to. O'Neill appeared bravely as both the adulterous Turiddn in Cav and the tragic cuckold Canjo in Pag. strennous roles each. He is our

gutsiest, most persuasively Italianate tenor, but by "Vesti la giubba" in Pag his herole ring was fading a

Rosalind Sutherland's hright Nedda held firm. Sidhom's Tonio was uninhibitedly repellent, Jason Howard's sexy Silvio confidently sung and vividly laid-hack. Lovers of Pag should have been reasonably satisfied. I should bet nevertheless that our generation is the last for whom Cav-&-Pag has been a regular fixture. Below a certain age, nobody now knows either Cav's Famous Tune or "Vesti la G.".

As conducted by Mark Wigglesworth and designed by Laura Hopkins. The Rake had a quirkier.

artist Balthasar Klossowski de Rola,

### INTERNATIONAL **ARTS**

#### AMSTERDAM

JAZZ & BLUES Bimhuis Tel: 31-20-6233373 Enrico Rava and Franco D'Andrea: the trumpeter and the planist perform works by Armstrong and Beiderbecke. Pianist Giorgio Gastini performs works by Ayler; 9pm: Mar 28

#### **BERLIN** OPERA

Deutsche Oper Berlin Tel: 49-30-3438401 Un Ballo in Maschera: by Verdi. Conducted by Rafael Frühbeck de Burges and performed by the Deutsche Oper Berlin. Soloists include Neil Shicoff, George Fortune and Michele Crider; 7.30pm; Mar 27;

#### **BONN**

OPERA. ∮Oper der Stadt Bonn Tel: 49-228-7281 Don Glovanni: by Mozart Conducted by Shula Okatsu and performed by the Oper der Stadt Bonn. Soloists include Michael Volle and Karen Notare; 8pm; Mar 27

#### ■ CHICAGO OPERA

Civic Opera House & Civic Theatre

Tel: 1-312-332-2244 Siegfried: by Wagner. Conducted by Zubin Mehta and performed by the Lyric Opera of Chicago. Soloists include Siegfried Jerusalem, Graham Clark, Eva Marton and Matti Salminen; 6pm; Mar 28

#### DRESDEN

Sächsische Staatsoper Dresden Tel: 49-351-49110 Der Fliegende Holländer: by Wagner, Conducted by Peter Schneider and performed by the Sächsische Staatsoper Dresden. Soloists include Waltraud Vogel, Barbara Bornemann and Hans Sotin; 7om: Mar 27

#### **EDINBURGH EXHIBITION**

Scottish National Portrait Gallery Tel: 44-131-5568921 John Kobal Photographic Portrait Award 1995: exhibition of 73 entries for this award set up to promote contemporary portrait photography;

#### ■ HAMBURG

**OPERA** Hamburgische Staatsoper Tel: 49-40-351721 Khovanshchina: by Mussorgsky. Conducted by Sebastian

Lang-Lessing and performed by the Hamburg Oper. Soloists include Aage Haugland, J. Patrick Raftery and Wieslaw Ochman; 7pm; Mar 27,

#### **HELSINKI**

DANCE Opera House Tel: 358-0-403021 Don Quixote: a choreography by Patrice Bart after Marius Petipa to music by Minkus, performed by the Halsinki Ballet. Soloists include Jessica Kellgren, Jukka Aromaa and Jorma Uotinen; 7pm; Mar 27

#### ■ LAUSANNE CONCERT

Théâtre Municipal Tel: 41-21-3101600 Dichterliebe: by R. Schumann. Cachemaille, accompanied by pianist Irwin Gage; 8pm; Mar 27

#### LONDON

**AUCTION** Christie's Tel: 44-171-8399060 Arms and Armour: including the A.N. Kennard Collection. Highlight of this sale is a pair of 20-bore silver-mounted flintlock pistols made by Henry Hadley in London, circa 1765, probably for George, second son of Sir John Clerk of Penicuik: Mar 27

#### CONCERT Queen Elizabeth Hall Tel: 44-171-9604242

 The Academy of St. Martin in that Fields: with conductor Nicholas McGegan, violinist Kenneth Sillito, cellist Stephen Orton, obolst Celia Nicklin and bassoonist Graham

#### Sheen perform works by Mozart, Haydn, Beethoven and Schubert; 7.45pm: Mar 27 Wigmore Hall Tel: 44-171-9352141

 Dorota Anderszewska and Piotr Anderszewski: the violinist and the pianisi perform Janacek's Sonata. Beethoven's Sonata in F, Op.24 and Prokoflev's Sonata in F minor, Op.80; 7.30pm; Mar 27 POP-MUSIC Royal Albert Hall

#### Tel: 44-171-5898212 Bruce Springsteen Acoustic Tour; 8pm; Mar 27

**LUCERNE** CONCERT Jesuitenkirche Tel: 41-41-2103562 Concentus Musicus: with conductor Nikolaus Harmoncourt and soprano Elisabeth von Magnus perform Haydn's Symphony No.52 In C minor, Symphony No.31 in D (Horn Signal) and Il Retorno di Tobia. Part of the Osterfestspiele

#### **LYON**

1996; 7.30pm; Mar 27

CONCERT Auditorium Tel; 33-78 95 95 95 Orchestre National de Lyon; with conductor Stanislaw Skrowaczewski and hom-player Yves Stocker perform works by Mozart and Shostakovich: 8.30om: Mar 28, 29, 30 (6pm)

#### MADRID

EXHIBITION

Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062 Batthus: retrospective exhibition featuring the work of contemporary better known as Balthus. The display includes some 50 paintings watercolours from private collections and several museums: to Apr 1

#### ■ NEW YORK CONCERT Merkin Concert Hall - Abraham Goodman House

Tel: 1-212-5013330 Lucy Shetton: accompanied by pianisi John Constable. The soprano performs works by Carter, Knussen and Stravinsky; 8pm; Mar 27 **OPERA** 

Metropolitan Opera House Tel: 1-212-362-6000 Roméo at Juliette: by Gounod. Conducted by Edoardo Müller and performed by the Metropolitan Opera. Soloists include Ruth Ann Swenson, Jane Bunnell and Francisco Araiza; 8pm; Mar 27, 30

#### PARIS CONCERT

Salle Pleyet Tel: 33-1 45 81 53 00 Orchestre de Paris: with conductor Theodor Guschibauer and pianist François-René Duchābla perform works by Grieg and Schoenberg; 8,30pm; Mar 27, 28

#### ■ SAN FRANCISCO

EXHIBITION MOMA - Museum of Modern Art Tel: 1-415-357-4000

 Tina Modotti: Photographs: spent mostly in Mexico, Tina Modotti's photographic career has been at times eclipsed by stories about her life and her dedication to politics. A

life filled with alliances with powerful artists, including her teacher and lover Edward Weston, This exhibition aims to bring attention to this artist'a innovativa aestheticism and raisa questions about the role of art in politics and its place in the lives of "common" people; from Mar 28 to Jun 2

#### STOCKHOLM

Kungliga Testern - Royal Swedish Opera House Tel: 46-8-7914300 Madama Butterfly: by Puccini. Conducted by Muhai Tang and performed by the Royal Opera Stockholm, Soloists include Noriko Ogawa, Inger Blom, Carina Morling and Ingus Petersons; 7.30pm; Mar

#### ■ VALENCIA

EXHIBITION **IVAM Centre Julio Gonzalez** Tel: 34-6-3863000 Ricard Giraft Miracle y la

Tipografia: retrospective exhibition focusing on the typographic work created by Giralt Miracle from the 1920s to the 1940s; from Mar 28 to May 19

#### ■ VIENNA

**OPERA** Wiener Staatsoper

Tel: 43-1-514442960 Die Entführung aus dem Serail: by Mozart. Conducted by Asher Fisch and performed by the Wiener Staatsoper, Soloists include Valeria Esposito, Natalie Dessay and Dion van der Walt; 7pm; Mar 27; Apr 1

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head was 87 per cent of New Zealand's and almost two-thirds of the UK's. Between

1951 and 1994 its real gross

national product increased 36

times (a compound annual

growth rate of 8.7 per cent),

while real national income per head rose 11 times (an annual

Moreover, the henefits of

this staggering growth have been widely shared, since

Taiwan's income distribution

is more equal than that of

most high-income countries.

Nor is rapid growth over. Not-

withstanding the political

uncertainty. Taiwan's econ-

omy grew at a compound rate of 6.8 per cent a year between

1990 and 1994, In 1994,

Taiwan's 20.1m people generated output worth \$241bn, while mainland China's 1.2bn

Taiwan is an international

pariah. But this has not

affected its economic perfor-

mance. With re-exports from

Hong Kong and Siogapore excluded, Talwan ranked as

the world's 12th largest mer-

chandise exporter in 1994.

Taiwan's exports of \$92.9hn

were not far behind mainland

China's \$121bn. What matters

in trade is not political clout

but economic competitiveness.

income per head is 20 times as

high as mainland China's. In

purchasing power, it is per-haps six times as high. Its pop-

ulation is highly educated, well travelled and free. Its pol-

ltics are oow democratic. Why

should the Taiwanese want to

unite with a backward, dicta-torial behemoth, eveo if they

At market prices, Taiwan's

generated only \$630bn.

growth rate of 5.8 per cent).

**Martin Wolf** 

### A lesson for the Chinese

Beijing needs to imitate Taiwan in order to attain its economic goals and also to achieve unification on a mutually agreeable and beneficial basis

China's threats against consider themselves Chinese? Their reluctance is a matter Taiwan have been roundly rebuffed in the most effective of indifference to China's ruland - to Beijing - dangerous ers. But China must take way: an election. But mainaccount of the losses lt would land China's policy has been a suffer if it tried to seize gigantic mistake. Instead of Taiwan. It would fail economithreatening Talwan, China's cally and politically even if it succeeded militarily. Taiwan's wealth does not lie in natural overwhelming interest is in learning from it. It has much to learn, for Taiwan has an resources but in the dynaoutstanding claim to being the mism of its people, nurtured most successful of all econoby a supportive policy envimies over the past 45 years. At \$11,500 in 1994, Taiwan's ronment. If an iovasioo were followed by imposition of the regime Beijing runs. China gross domestic product per

would inherit ashes. This is not the only respect in which Beijing would lose. The skills of the Taiwanese bave been important for Chinese development. According to Taiwanese figures, they made 10,764 investments in the mainland between 1991 and 1994, for a total value of \$4.6bn. Unofficial Chinese estimates suggest the figure could be four times as large.

The threat to China is, however, far greater than that. Successful exploitation of opportunities afforded by the international economy has driven China's rapid recent growth. China needs foreign trade. Because of the absence of secure property rights.

Hong Kong

Singapore

South Kores

The best of the best

Annual average change in GDP per capita 1960-85

China is also heavily dependent on external entrepreneurship, particularly from the overseas Chinese. An invasion, with all that would indicate for the balance of power in Beijing and relations with the rest of the world, would gravely threaten China's hopes for rapid development. Significantly slower growth could even undermine the stability of China's ideologically hankrupt communist regime.

A Chinese invasion would,

in short, be worse than a crime. It would be a massive blunder. While folly of this magnitude can never be ruled out, it is difficult to believe Beijing would venture this far. What it needs to do, instead, is become as much like Taiwan as possible. The less advanced society should limitate the more advanced. This is not only how to achieve China's economic goals. It is also the only way to achieve unification on a mutually beneficial

and agreeable basis. What does China have to imitate? In a pamphlet puhlished last month, fan Little, formerly professor of development economics at Oxford University, summarises the

"The rapid growth of a number of east Asian countries is fully explicable in conventional economic terms, that is very high rates of both material and human investment...In Korea and very probably Taiwan, the returns to investment were exceptional in the period 1963-73. This was because industrial capital was combined with a lot of labour. This in turn occurred because reforms to the system of incentives permitted these countries to realise their comparative advan-tage in labour intensive manufactures - a comparative advantage that was reinforced hy a hard-working, docile, moderately educated lahour

force."

That is a simple enough strategy to follow. It is one mainland China has increasingly adopted over the past 15 years, with remarkable suc-cess, thanks in no amall measure to the import of entrepreneurship from Taiwan and Hong Kong. It has followed these policies under Deng Xiaoping precisely because of the example of "the four little dragons" - Hong Kong, Singa-pore, South Korea and Taiwan. Of these, Taiwan was probably the most influential. both hecause of the rivalry between the communist rulers of the mainland and the

and because of Taiwan's sta-tus as a Chinese province. Trade is the central feature. Taiwanese exports plus imports equalled 74 per cent of GDP in 1994, against 47 per cent for the UK. Being a small, resource poor country, Taiwan would enjoy little more than a subsistence standard of living

nationalist rulers of Taiwan

if it were unable to trade.

The essence of Taiwan's strategy was therefore to allow the Taiwanese to exploit the gains from trade. For those desperate to find an active government behind any and every economic success, this is an "export promotion strategy". But, as Professor James Riedel of the Johns Hopkins School of Advanced International Studies in Wash-

ington DC points out, this "strategy" consisted merely of removing obstacles to exporting that the government put in the way in the first place. Ravisionist scholars have challenged the orthodox view of the roots of east Asian success. They note that the South Korean and, to a lesser extent, Taiwanese governments have intervened in their economies, distorted capital markets and picked winners, and argue that this is why they were so successful. A recent article by Professor Dani Rodrik of Columbia University even claims that exports grew automatically in the 1960s once the governments of Taiwan and South Korea had succeeded in encouraging firms to invest.\*\* Such expansion of exports, following a government-induced rise in investment, would he a

miracle, because unparallelled elsewhere.
None of these convoluted explanations is necessary, since Taiwan's is a perfectly simple story. Over a long period, its government did something so remarkable that it deserves the label "miracu-lous": it failed to do anything seriously stupid. Its fiscal and monetary policies were conservative. Its trade policies hecame steadily more liberal. It protected property rights.

Taiwan did not need to be

big and powerful. It did not need to be a member of international organisations. It did not need to be a net importer of capital. All it needed to do was allow its inhabitants to exploit the economic opportu-nities around them and, heing Chinese, they did so spectacularly. That is what mainland China has to do, too, If it does, it will become an economic colossus. Indeed, Taiwan's is the only sure ronte to prosper-

\*Ion Little, Picking Winners: the East Asian Experience (London: Social Market Foundation, 1996), \*\* Dani Rodrik, "Getting Interventions Right: how South Korea and Taiwan grew rich," Economic Policy,

ity for any society. anywhere.

### Consumers put the bite on burgers

McDonald'a and Burger King, the UK's two leading ham-hurger chains, are standing by British heef. They say the prime cuts they have always used for their hurgers are perfectly safe for human consump-

Certainly, both have always shunned offal and meat mechanically flailed from carcases - beef hyproducts linked to mad cow disease and Creutz-feldt-Jakoh disease in humans. Yet, by Saturday, hoth will

have stopped using British beef in their UK restaurants. Their decisions bear testament to tha power of consumer pressure to make companies hehave in seemingly irrational ways. What is more, it is clear to

last Saturday, a week ahead of lts rival made the correct decision. "From a PR

McDonald's declines to say how fast hamhurgers sales dwindled, hnt tills, customer hot lines, its 660 UK restaurant managers and hastily organised opinion polls all told the same story: consumers cared not which part of the animal the meat came from - only

With consumers "hewil-dered" by the scientific debate, only complete substitution of continental beef would reassure them, McDonald's said. Thus, for four days, the USowned group will not serve a single burger in the UK until the first burgers made from imported beef are available on

much smaller rivals.

crisis management consultants that McDonald's - which pulled British beef from its menu beef", but said it was waiting

McDonald's did absolutely the

right thing," says Mr John Stonborough , founder of Wallfor more information from the borough, a London firm that helps guide companies through crises. "It was an absolute nonstarter to try to get a rather complicated message across that this piece of meat might he all right but that piece wasn't. Raw consumer pressures have completely super-

seded science."
McDonald's had tried for three months to convince consumers its beef was safe. After the mad cow debate escalated in December, it put leaflats in its restaurants explaining which parts of the animal its meat came from.

Bnt, once the government admitted last Wednesday that there could be a link between BSE and human disease, confidence crumbled.

Thursday. McDonald's was joined yesterday in its ban hy Wendy's and Wimpy, two

While McDonald's responded to the emotion of the moment. Burger King, a subsidiary of Grand Metropolitan, the British food and drink multinational, has tried to stick to rational science and rational consumerism. It acknowledged "the apparent lack of consumer confidence in British

government "so that we can

make an informed decision".

Only yesterday did Burger King decide to fall partly into

decided to stop using British beef - but not until Saturday,

when it will have alternative supplies. Until then, signs in

its restaurants will advise cus-

tomers of the hamhurgers' British origins.

"It is up to consumers to decide whether they want to eat it," the company said.

McDonald's more drastic strategy will cost it more in

the short term while It scram-

hles to substitute other prod-

ucts, such as fish and vegeta-

hle hurgers, and to import continental beef.

benefit from taking the initia-

tive. "It was a very shrewd act.

to show consumers and par-ents leadership," one industry

commentator said. "They could come out of this with an

increased market share."

McDonald's already claims

some 70 per cent of sales by UK hamburger chains. Industry observers believe at

In the longer term, it should

consumer confidence lay behind McDonald's decision to be the first chain to ban British beef. Most pressing of them was the legal ramifications of serving such meat. "US companies are neurotic about product liability," one said. It seems implausible that anybody could prove in court that a ateady diet of McDon-

ultimately caused CJD in a human. But it does seem plansible that US lawyers urged McDonald's UK subsidiary and its American parent to act

swiftly to minimise their expo-Public image might have been a second factor. "McDonald'a has an image problem generally," a crisis consultant said. "It is already fighting off

ald's British beef hamburgers

so-called McLibel suit in the UK High Court in which the group proceedings

against two environmental activists who had challenged its practices. The company is defending lts environmental record, employment practices line with McDonald's. It and the nutritional value of its products. The case has lasted almost 21 months and judgment is expected ahortly before the end of the year.

Drawing further lessons about crisis management from events of recent days is hard. It is rare that companies have to respond to - and can beap all the hlame on - outside forces. Usually, they are responding to crises of their own devising. which only makes it more difficult for executives to decide when to cut their losses.

But one clear lesson is the need to take quicker and higger actions than might seem justified at the time. McDonald's might he accused of exacerbating consumer fears, but it did cut its losses swiftly. And, as a honus, it got a two-day headstart on Burger King lining up fast-tightening foreign beef supplies.

**Roderick Oram** 

may sometimes raise costs. but

it is a form of insurance that

protects whole markets from

the threats that lie ahead. The

consumers and producers are

unlikely to achieve the same

interactions of individual



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### ·LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HI

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax. to 'fine'). e-mail: letters editor@ft.com Translation may be available for letters written in the main infernational languages

#### Greater value in enlightened beef intervention

From Mr Clive Bates. Sir, Your advice to ministers "Mad cows and ministers", March 21) ought to include a recognition of the commercial value of enlightened government intervention. It is difficult to imagine consumers relishing the prospect of beef reared on waste offal. Had the Ministry of

Agriculture Fisheries and Food

Animus not well directed

it would never have permitted this practice. However, once BSE emerged, the government had a responsibility to anticipate the plausible evolution of scientific understanding and take action that prepared for adverse developments before conclusive evidence was available. There was enough reason for concern

championed consumer interest, in the late 1980s to justify eliminating BSE from the British stock by slaughtering all the infected herds. Instead, ministers used the uncertainties to justify what have turned out to be empty reassurances. Had the government intervened responsibly, the beef industry

would not be in free-fall today.

Clive Bates, 42 Allerton Road. London N16 5UF, UK Government intervention

### Inflated view of a government agency

From Dr Leslie Palmier. Sir, In his article on UK government ministers sheltering behind science. Joe Rogaly has allowed his anti-establishment animus to run away with him ("What is Mr Dorrell for?", March 23/24). Lord preserve us from the day when ministers of the crown set aside scientific opinion in favour of Mr Rogaly's "common sense", and the sun starts rotating round the world

Leslie Palmier 9 St Catherine's Close Bath, BA2 6BS,

From Mr David Simpson. Sir, In his article "Problems of uncertainty" (March 19). Martin Wolf writes that the "most intellectually exciting aspect of Keynes' vision was his emphasis on pervasive uncertainty about the future and the consequent difficulty of securing co-ordination of the plans of millions of producers and consumers in a modern

While this interpretation of Keynes is entirely consistent with the view of the market economy espoused by the modern Austrian school, and hy Hayek in particular, it is not compatible with modern macroeconomic theory. By

dealing exclusively with aggregates and by assuming thet all market participants are perfectly informed at all times, macroeconomic theory simply ignores the problem of co-ordination altogether, a problem which, inter alia, gives rise to feelings of joh insecurity.

Wolf continues: "Money, being created by the market, is simply not a precise and targetable quantum." Indeed But this statement applies with equal force to inflation, nominal national income, or any other macroeconomic aggregate. The suggestion that

responsibility for achieving a

target for inflation should be delegated to a government agency might be a "practical response" in a world where such an agency is assumed to be perfectly informed.

But in a modern market economy, where information is decentralised and uncertainty is pervasive, an agency of government is no better informed than the rest of .

David Simpson, conomic adviser, Standard Life Assurance Company. 3 George Street, Edinburgh EH2 2XZ,

#### Proposal of no benefit to US agriculture export effort

From Roger J. Baccigaluppi. Sir, US agricultural exports surged to \$53bn last year - an all-time record, 18 per cent ahead of 1994 (\$43.5bn) - and are on their way this year to a new record of perhaps \$60bn, according to recent US Department of Agriculture estimates. Not only does this bring more income to the US, and create more jobs in agriculture and the many suppliers to this industry, but it has also been a significant

balance of payments deficit.

Perhaps agriculture has been too successful. Now, well into 1996, we see Congress working on what should have been the 1995 farm bill. Now it's called the Freedom to Farm Act. Buried in tha Senate version of this oddity is an amendme<u>nt</u> offered by Senator Richard H. Bryan to change dramatically

how funds are used to promote

factor in reducing the US

US agricultural products overseas. "It sure ain't broke." some senators must be saying, but let's fix it!"

The Market Promotion Program has been hugely successful by any objective measurement, but election vear politics seem again to be thwarting what is right, appropriate and good for the At one time, more than

\$325m was being expended in export markets through this programme and its predecessor, the TEA (Targeted Export Assistance)

The Bryan amendment reduces the Senate version of the bill to \$70m (nearly one-third of expenditure just a few years ago) and further stipulates that only misations recognised as small business concerns or co-operatives are entitled to

these funds for hrand advertising.
Proponents of the

amendment are happy because it keeps the so-called "giants" - McDonald's, Tyson, RJR, Gallo, Frito-Lay, - from getting US funds to promote their agricultural products overseas. Righteousness about reduced funding and allowing only what the Senate considers to be "small businesses" to participate demonstrates a huge void in understanding of how agriculture works, how the US competes in the world, and why the government

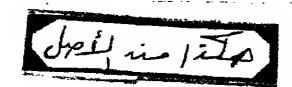
chose, in the first place, to help agriculture export its products. As to how agriculture works, let us use Gallo wine as an example. Clearly, it is the undisputed leader in the US and probably the largest wina producing company in the world. That wine comes from grapes grown in Gallo-owned

vineyards as well as hundreds of vineyards owned by small farmers who would meet the definition of small business. However, the Senate hill, as written, would force each small family farmer to huild and operate a winery in order

to participate in the international promotion programmes. Then it would force them to compete overseas with Gallo and others for a share of the market.

It is far more efficient to let the undisputed world leader produce and sell the wine and let the farmer continue to grow the wine grapes. The facts of the matter are that the small farmer is in no position

Roger J. Baccigaluppi, 777 Campus Commons Rd. Suite 200,



#### FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday March 26 1996

### Germany opts for the known

Germany's voters have yet again confounded the pundits and the pollsters. Instead of punishing Chancellor Helmut Kohl and his coalition partners, the Free Democrats, for record unemployment and languishing growth, they have clobbered the opposition.

RCH 26 1996

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The plight of the poor Social Democrats seems to know no end. In Sunday's three important state elections, they lost votes on the left to the environmentalist Greens, and on the right to Mr Kohl's Christian Democrats. As for the FDP, the party has hauled itself hack from the brink of extinction, after a string of disastrous electoral defeats, with a vigorous policy mix of tax-cutting. deregulation and an assault on

bureaucracy.

The first lesson to be learned seems to be that German voters are fundamentally conservative, especially when their prosperity is under threat. With one in nine out of work nationwide, a chill wind is blowing even in wealthy Baden-Württemberg, bome state of Daimler-Benz, Instead of revolting, they have clung to the predictable and familiar - above all, the reassuring figure of Chancellor Kohl and shunned the uncertain future offered by the SPD under the mercurial Oskar Lafontaine. Even the FDP has scarcely reinvented itself, but chosen merely to stress its liberal economic credentials rather: ments, in no fewer than 12 electhan its traditional commitment

Mr Lafontaine has clearly failed

displaced the luckless Rudolf Scharping as leader last year. His party's attempt to woo popular support by calling for the postponement of European economic and monetary union, and the single currency, backfired. By calling into question its long-standing commitment to European integration, it appeared to be opportunist.

In a state like Baden-Württemberg, which relies on its exports there are also growing donbts about the wisdom of an ever-stronger D-Mark: the euro no longer looks quite so unattractive. Mr Lafontaine's timing was all wrong. in the prosperous south, the SPD lost blue collar votes to Mr Kohl's CDU as well as to the farright Republicans. In the north, it lost women's votes, and some of its middle-class support, to the Greens. The latter have sbown

they cannot be ignored as potential coalition partners in state gov-

In some ways, bowever, it is the revival of the ailing Free Democrats which is the most reassuring messaga of these elections. For Germany would be much the poorer for the loss of its true liberal conscience. That was precisely the fate threatened by the failure of the FDP to win the mini-mum five per cent of the votes needed for seats in state parliations. A strong voice for deregulation and lower taxation is

### Aegean glimmer

Mesut Yilmaz, the new Turkish union between the EU and Turprime minister, is to be congraturing key. This year, to express its dislated on making the first move in. an effort to improve Greek-Turkish relations. Relations between these two nominal allies have, for too long, been unneces: sarily bad. As recently as the end of January, they very nearly went to war for possession of a tiny islet in the south-east Aegean.

That incident, which occurred

on Costas Simitis's first-day as Greek prime minister, appeared almost to have been set up to humiliate him. Greece had to withdraw troops from what it firmly believes is its own territory. minister, enjoyed a triumph in the Turkish media. But such victories are not as cheap as they may seem

at first sight.

Turkey is clearly the stronger power in military and geopolitical terms. Its undonbted strategic importance assures it, most of the time of US support. But Turkey's interests are much more directly affected by relations with the EU: not only its economic interests but also the Turkish elite's historic ambition to affirm the country's European identity. And here, however much Turks may dislike it, Greece has the advantage, simply by virtue of the fact that it is

already an EU member. Last year, Greece was able to obtain a starting date for membership negotlations with Cyprus from its EU partners, as the price of its consent to the customs

pleasure over the lalet episode, Greece has been blocking EU aid, including European Investment Bank loans, which Turkey needs to help its industry adjust to the customs union Mr Yilmaz's carefully worded statement on Sunday, that Turkey wanted disputes in the Aegean to be "settled by peaceful means in accordance with International law", appeared designed to meet Greek demands for a Turkish pledge not to use force, and to respect international treaties, ahead of today's meeting between Turkish and EU minis-

Yesterday, a national boliday in Greece, the Greek government appeared to have been caught off balance and gave only a lukewarm response. Mr Simitis is obviously in a delicate position, especially now that his predecessor, Andreas Papandreou, is out of hospital and, quite possibly, on the lookout for opportunities to make trouble.

Mr Yilmaz, too, bas limited room for manoeuvre, as temporary leader of a minority government. But be has made a bold and imaginative opening move which deserves to be taken seriously. Both sides need the belp of third parties in building confidence. And, since the US is the object of Greek suspicions while the Turks understandably regard the EU as biased in Greece's favour, it is a case which cries out for transatlantic co-operation.

### Mutual friends

The advertisements for Halifax. the UK's biggest building society. Tyge us all to "get a little extra kelp – from the Hallfax". Clerical Medical and General, the UK's sixth largest mutual life assurance group, has taken up the offer, in senting to Halifax's £800m takeover bid, subject to the approval of its policyholders. The strategy is debatable, although more on Halifax's side than Clerical Mintual's. The plan also raises wider, more troubling questions about policyholders' rights and ownership of mutual reserves.

The deal consists of two payments: 2780m to the Clerical Medical with profit fund, and £70m as shareholder capital. The 700,000odd policyholders who mutually own the group will benefit from £111m in special bonuses from the with-profit fund, plus £160m from existing surpluses to increase the

ultimate value of their policies. The rationale for the deal is that both institutions are under ferocions competitive pressures in their traditional markets. The costs of each are largely fixed, squeezing returns. Halifax, which is due to convert to a bank next year, has reckoned, like its rivals, that there will be little growth in the housing market over the next few years. It has looked instead to diversify within the long-term savings market. It plans to distribute Clerical's products through its own retail network, and to gain access to Clerical's contacts with independent financial advisers. who supply 90 per cent of Clerical's business.

Its hopes of synergy may be realised. But integration of two distribution networks, let alone two cultures, is not easy. It is striking that some of the most successful cases of banks owning life assurance companies have not resulted from takeovers. TSB has had notable success in selling its home-grown life assurance to its existing banking cuatomers. Attempts to build bridges between established insurers and deposit taking institutions have often been less successful.

The takeover - together with the rush by many groups to surrender their mutual status - also raises deeper questions about rights to mutually-owned reserves. At present, holders of with profits policies have claim to the reserves. But in such deals, there is worryingly little transparency about the allocation of surpluses in the fund between present policyholders and future

shareholders. It is almost impossible for policyholders to establish the value to which they are entitled. That is simply one of several legitimate complaints; policyholders frequently suffer large penalties if they want to terminate a policy prematurely, even on the grounds

of poor performance. In the case of Clerical, policyholders may simply have to accept the group's indications that this deal was the most financially attractive option available. It would have been preferable for them to have the information to make that judgment themselves.



### New shapes in the stars

Changes in EU decision-making and institutions will be on the agenda at the Turin conference that opens on Friday, says **Lionel Barber** 



On Friday, in a refurhished factory in Turin, the 15 beads of government of the Furn ment of the European Union gather for the ceremonial launch of negotiations on the future shape of the EU. The intergovernmental confer-ence, likely to last at least 15 months, will review the operation of

the 1991 Maastricht treaty, signed in a mood of near-euphoria after the fall of the Berlin Wall. The conference is billed as an equally bistoric opportunity to shape Europe's future for the 21st century, but the outcome is likely to be less momentous. The public

attitude to the Union has turned sour as unemployment bas risen beyond 20m and most observers in Brussels believe it is premature to pass judgment on the treaty - let alone contemplate far-reaching The treaty was the result of an

elaborate compromise between the UK, France and Germany on the shape of the EU. A fixed timetable was agreed for economic and monetary union (Emu) by 1999. The European parliament extended its powers to block or amend EU laws. But at Anglo-French insistence, matters of internal and external security remained subject to loose co-operation between national governments. However, monetary union among the stronger western European economies - alongside enlargement to admit the countries of eastern and central Europe - will dramatically sharpen the sense of diversity inside the EU. Calls are increasing for new, more flexible forms of integration: the EU's structures have changed little since the six founder members - France, Germany, the Benelux countries and Italy created the original European Com-

munity in 1958. Two issues are likely to be central to the discussions at the intergovernmental conference. The first is whether to anticipate the impact of monetary union and enlargement hy planning far-reaching changes in decision-making and institutions -a position argued this week in Le Monde by Mr Jacques Delors, president of the European Commission at the time of Maastricht. The other is how to effect any changes that are necessary without damaging the interests and rights of the existing members of the EU club.

**COMMENT & ANALYSIS** 

The conference faces divisions over methods and political philosophy along much the same lines as in the Maastricht negotiations. The maximalist camp is led by Chancellor Kohl. He views Maas-tricht as an unfinished symphony, a

prelude to the creation of a full-blown political union which will accompany monetary union. Both arrangements, be insists, are necessary to anchoring a united, democratic Germany in Europe. Mr Kohl's prescriptions are a

stronger European parliament to act as a democratic counterweight to the decision-taking Council of Ministers. He wants more majority voting as a matter of principle to pave the way for enlargement to central and eastern Europe, Ger-

On internal security, Germany wants a "single integrated space" which would guarantee freedom of movement of EU citizens, while forging a joint approach among member states on asylum, visa, and immigration matters, as well as beefed np co-operation against terrorism, organised crime and drug trafficking.

Most member states agree with Mr Kohl's argument that the area of internal security needs an overhaul. Other ideas for achieving this include reducing national veto rights, giving the European Commission a role in proposing changes, and creating new legal instruments to replace cumbersome international conventions which

take years to ratify. The British, however, take a fundamentally different view of European integration. Mr John Major, UK prime minister, argues that

post-Maastricht Europe is dancing to a very different tune. No one talks any more about a United States of Europe. The supranational European Commission is in retreat. The nation state lives on.

The British attitude towards reforming decision-making on inter-oal security is minimalist - as is the government's general approach to the conference. Mr Major's goal is containment. No extension of majority voting; no new powers for the European Parliament; no more EU-wide areas of responsibility. He wants limits on Union action and curhs on retrospective judgments from the European Court of Justice.

alk of a crisis in the conference negotiations is widespread - many observers forecast it will break in the autumn. One senior Brussels official predicts that Britain's partners will then simply negotiate among themselves, waiting for a more amenable administration after the UK general election, to he beld at the latest by May

less case, a bit like a dying patient in a hospital," says one Brussels diplomat. "You can give him as much booze and cigarettes as be wants - it won't make any difference." Like others, be is careful to avoid placing too many bopes on a change of British policy under any future Labour government led by Mr Tony Blair.

In the conference negotiations. much is likely to depend on President Jacques Chirac of France, who has been sending flirtatious signals across the Channel to the British. His mercurial brand of neo-Gaullism makes him a more unpredictable partner for Mr Kohl than former President Mitterrand. But Mr Chirac's interest in the British connection looks more like an attempt to placate Eurosceptics in his own party than a fundamental break in the Paris-Bonn axis.

UK intransigence is fuelling the

campaign telling potential shareholders that OTE is Greece's

most profitable company. And the

board of directors has been telling

Which will make a nice change

foreign fund managers that .:

politicians no longer interfere.

Petros Lambrou became OTE's

managing director when the Panhellenic Socialist Movement

(Pasok) returned to power in 1993

happened to be Pasck's treasurer.

ahead of the ilotation, Lambrou

resigned from his party positions

With Papandreou off the political

four-month illness that triggered

further from party politics. These

days: his private-sector experience

company, is mentioned more often

than his stint as a full-time Pasok

scene - convalescing after a ·

his resignation in January – Lambrou has distanced himself

in the 1970s as an executive at

Barlos, a Greek bauxite-mining

friend of Lambrou - who also

under Andreas Papandreou, a close

When OTE started to restructure

campaign for more flexible forms of integration. Mr Major himself set out the case for so-called "variable geometry" in a speech at the University of Leiden 18 months ago. Since then, France, Germany, the European Commission and the Benelux countries have accepted the idea of certain countries moving ahead of the rest to co-operate in

avoiding paralysis in decisionmaking in a wider Union. This approach bas already been adopted in cooceding Britain's optout from the social chapter of the Maastricht treaty covering labour legislatioo. And ten countries in the chengeo grouping have scrapped border controls between them.

certain select areas as a means of

However, those involved in the preparation of the conference agenda agree the EU would fragment if variable geometry were extended to certain core areas. These include competition and environment policy; the single market; and the 'four freedoms' covering movement of goods, capital, services and people. There is also agreement that where some counries move ahead of others, they should be required to use the EU's present institutions rather than

forming separate clubs. But within these constraints, new ideas are circulating to create a "pioneer system", where groups of countries could begin to work more closely together without being held back by others. The Germans are floating "constructive abstention". where no country would be obliged to provide troops or police for joint actions against their will. The price for "opting out" would be political

and financial support. Another idea is to create a separate legal structure covering internal security if Britain continues to block a role for the European Court of Justice.

However, such innovations will come to nothing unless EU leaders can settle a more fundamental dilemma which has existed since the creation of the original European Community: the balance between small and large member states. Smaller countries such as Belgium, the Netherlands and Luxembourg, as well as newcomers such as Ireland and Portugal, retain the right to appoint an EU commissioner, and to take their turn on the rotating EU presidency for six months. These countries also bave a disproportionately higher number of votes in the Council of Ministers: Luxembourg (population 450,000) has two votes, while Germany (pop-

ulation 80m) has 10 votes. Larger member states, led by Britain, France and Spain, are pressing for the balance to be reweighted according to their size and population. They point out that under the present system, a coalition of countries could outvote blg countries representing 40 per cent of the EU population in a Union of 28 members, a qualified majority could outvote Britain, France, Ger many and Italy, while some of the former communist states could be

enough to form a blocking minority. The issue of voting weights and majority voting bas the capacity to wreck the conference. One senior EU diplomat concludes that, with the smaller countries unwilling to renounce their rights, "fundamental institutional reform will not happen at the IGC".

Oue further reason is that enlargement - the real driving force behind institutional reform - could take longer than expected. The Med-Iterranean countries are unlikely to ratify the conference's results until they have a clear commitment on a new financing package to cope with the costs of extending geoerous EU policies such as regional aid to the eastern countries, says a Commission official.

The temptation, therefore, will he to "muddle through" in 1996-97. postponing many of the tougher choices until three hig decisions enlargement, the single currency, and a new budget deal - converge in 1998. It is a big gamble, but the EU usually responds best in a crisis.

### OBSERVER

#### Crumbs at the table

Queen Elizabeth II arrived in Warsaw yesterday for the first visit to Poland by a British monarch. Her domestic experience of dealing with difficult customers might

come in handy.

Lech Walesa, Poland's mercurial former president and Solidarity leader. has already refused a royal invitation to a banquet today at the Bristot Hotel. . . . Not that he'a got anything

gainst Britain'a Queen - just that going would require him to shake hands with Polish president Aleksander Kwasniewski, who beat Walesa in last December's presidential election. Walesa is not yet in the mood for such a gesture.

The Queen's protocol aides have instead agreed that she will see Walesa privately at tea time today - a gesture reminiscent of the bad old days, when official visitors saw the (communist) authorities in public before discreet meetings

with the (dissident) opposition. A further tricky protocol problem concerns Jozef Oleksy, the former prime minister who resigned last December after being accused of having been a spy in the pay of the Rossians.

He's now head of the former communist SdRP, which leads the ruling coalition. If the form was being followed, he might have anticipated an invite to

something, at least a cup of tea. No such luck: not even a biscuit.

#### Noblesse oblige Erik Asbrink, is taking a

Sweden's new finance minister. manimoth pay cut hy leaving the business world. His most recent post was

managing director of the state-owned property group Vasakronan, which owns a lot of municipal property. According to Aftonhladet, the Swedish daily newspaper, Asbrink's move to the world of politics means he will be around SKr1.2m a year worse off.

The paper quotes Asbrink's annual basic Vasakronan salary as being SKrl.72m, considerably augmented by various benefits and seats on several other company boards, giving a total annual income of nearly SKr2m. As finance minister be'll get SK 2720,000

finance minister is a privilege. For me it would have been practically unthinkable to say no." Rather sweet, really.

#### Gordian knot

OTE, Greece's telecoms monopoly, has been polishing its image ahead of this week's flotation of a chunk of its equity on Athens' stock exchange. There's been an advertising

He doesn't sound worried: "To be

My word is my 007 Espionage and hanking are two

sides of the same coin - lots of secrecy, bureaucracy thriving behind a veneer of efficiency, mistakes coming to light years later. No surprise then that the Canadian Bankers Association has hired a former spymaster as its

new president. Raymond Protti was in charge of

the Canadian Security and Intelligence Service during 1991-94, but the banks appear to have chosen him as their chief lobbyist less for his code-breaking skills than his virtually unrivalled knowledge of how Ottawa works. Besides his stint at CSIS, Protti has held several senior civil service tobs, most recently as top

mandarin at the agriculture

department. The big banks have been looking for someone who can push the right buttons in the run-up to next year's review of Canada's financial services laws. Consumers and small business want the banks cut down to size, government recently obliged by saying hanks would not be allowed to sell insurance policies in their branches. Protti will soon discover that winning sympathy for powerful, profitable banks is just as tough as cracking enemy secrets.

#### Sacrificial lamb

■ In the Middle East The Jordan Times newspaper reports that Rajai Saeed has beaten bureaucratic objections and managed to register his new son as Yitzhak Rabin, after the assassinated Israeli leader, as a gesture of support for peace.

Impossible to criticise the motive, but one has to sympathise with the poor mite so dubbed. Unless things change very much, he won't exactly be first choice for the football team.

### Financial Times

#### 100 years ago Chilian finance

Even the best regulated nations. Great Britain not excepted, bave to put up with a deficit now and then, and an occasional hiatus between revenue and expenditure need not be looked at too seriously. But a tendency towards extravagant expenditure has for some time been growing in Chili, not so much through the fault of the Executive as through that of Congress itself. Under the pretext of a zeal for charity and education - both of course, excellent objects in their way - a number of supplemental measures have been passed which have helped to swell the expenditure for the year, and it is to be feared that the main object of the representatives who advocated these disbursements was to secure popularity and

#### 50 years ago Rand strikers back at work

All the 15,000 workers affected by the dispute between miners in the Witwatersrand, the gold mining district in the Transvaal, and the Mineworkers' Union were back at work yesterday on 46 gold mines. The mines resumed full operation after an interruption of from three to ten days.

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### FINANCIAL TIMES

Tuesday March 26 1996

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Judges to review controversial language ruling

### **US Supreme Court to** probe English-only law

The US Supreme Court yesterday stepped into an election-year controversy by deciding to examine whether it is constitutional for a state government to demand that

its employees speak only English while working.

Like flag hurning, the "official English" battle is largely symbolic. But it has raised high passions in the election campaign, with both Senatur Bob Dole, the presumptive Republican presidential nominee, and his only remaining challenger, conservative commentator Mr Pat Bucbanan, arguing that English should be declared America's offi-

The Supreme Court will decide on the constitutionality of an Ari-zona law which bars the use of any language other than English state employees performing official duties.

The law was challenged in federal court in 1988 by a bilingual state employee who said it pre-

Japanese

Continued from Page 1

parliament

majority in both bouses of par-

liament. the government is expected to get the plan through

the legislature with relative ease

ment to answer questions about

a payment he is alleged to have

got from a company involved in the coliapse of one of the *fusca*. Since March 4, NFP members

have staged the sit-in to block

voting on the budget. The show-

financial institutions.

Continued from Page 1

Ban on beef

John Major, the prime minister, senior munisters decided to adopt

a low-key approach to the grow-

ing BSE crisis, after receiving

advice from scientists that chil-

dren were not more likely to be

at risk from eating infected beef.

Mr Douglas Hogg, agriculture

minister, when they concluded that no additional precautions -including the possible destruc-

tion of part of the tim national

herd - were necessary at present.

Cookson, James Harding and Jimmy Burns in Lendon

Additional reporting by Clive

The scientists also surprised

ish to Spanish-speekers when performing her job of handling medical malpractice claims

against the state.

A federal judge ruled that the Arizona "English only" measure, approved by voters in 1988, vio-lated free speech rights under the US constitution's first amendment. His ruling was upheld by e three-judge panel of the US appeals court.

The full appeals court voted 6-5 last year to strike down the law, saying it "obstructs the free flow of information and adversely affects the rights of many private persons by requiring the incom-prehensible to replace the intelli-

The Supreme Court will now review that decision, after an appeal was filed by a group called Arizonans for Official English. Arizona's law is one of the mosi restrictive but not the only official language law on state books. At least 20 states have constitutional amendments or

official state language. The "official English" campaign taps the same vein of economic insecurity and resentment mined by Mr Buchanan's campaign for the Republican nomina-

Some Americans who feel threatened in their jobs by foreign competition have chosen the issue to demonstrate their anger, while others use it to show their resentment at measures, including affirmative action, which fevour minorities over white

Opinion polls show that Americans perceive themselves to be besieged by minorities and migrants out of all proportion to the actual figures. Figures published in the New York Times sbow that many white Americans believe less than half the population is white. whereas the true figure is 74 per cent. Many whites also believe that a quarter of the population is black, whereas the

### Labour primary kicks off Israel's election campaign

within the next month. In exchange for oppositioo co-operation, Mr Hasbimoto By Mark Dennis in Jerusalem pledged ample time for a budget Israel's election campaign hit full debate. Still in contentioo was whether Mr Kolchl Kato, the siride yesterday with members of the governing Labour party vot-ing in American-style primaries to set a list of candidates ahead LDP's secretary-general, would be forced to appear before parlia-

of the national poll on May 29. Members of the main opposition party, the rightwing Likud, vote today io form their candi-date list for an election which has become a virtual referendum on the direction peace efforts will

down has nnnerved financial Likud bas promised to tailor markets as investors have feared that faliure to gain approval for the peace process to increase the the scheme could lead to a rur security of Israelis, but has vet to offer substantive ideas as to how ther loss of confidence in Japan's it would accomplish this. Many fear that Its hardline stance could undermine or even halt the

> Labour called the election after public support for both it and the peace drive rose sbarply in the wake of the assassination of former prime minister Yitzak Rabin last November. But the party's popularity bas been dented by the recent wave of suicide bombuigs and it has felt forced to play

the security card as well. "Israel is strong with Peres." declare Labour's posters while, paradoxically, its rightwing rivals promise "Peace with the

Likud" The primaries determine the order in which candidates will appear on party lists under Israel's proportional representation system. Voters cast their bal-lots for a party. The parties are then allotted places in the 120-seat Knesset according to the number of votes they receive. Ten parties gained at least one seat in the 1992 elections.

For the first time, the prime minister will be elected by s direct vote. Mr Benyamin Netanyahu, the Likud leader, is challenging the prime minister Mr Shimon Peres, the head of Labour. Previously the leader of the party with the most votes was asked to form the govern-

The Labour primary was widely viewed as the first shot in the pattle to succeed Mr Peres who, et 72, is probably running in his last election. Tha main contenders are Mr Haim Ramon, the interior minister, and Mr Ehud Barak, the foreign minister.

Mr Barak, a hawkish former army chief of staff, is running Mr Peres's campaign for prime min-ister, while Mr Ramon, a dovish former renegade who once split from Labour over health policy, is head of the party's information committee for the elections. Polls showed the two men neck-and-neck for the slot behind Mr Peres as votes were being tallied last

The direct primary elections were first used by Labour in 1992. Proponents herald them as an opening of the Israeli political system, but critics say they could create crises, as candidates voted to the list as individuals have less incentive to maintain party discipline.

FT WEATHER GUIDE

### Murdoch's Star TV targets

By Tony Walker in Beijing and John Ridding in Hong Kong

cable television service.

A representative of China Central Television, the state broadcasting organisation, said Chinese TV regulators had "no knowledge" of Mr Murdoch's plans with its Hong Kong part-

Star TV said its three-party venture, to be called Phoe-nix Satellite Television Company, would operate Chinese-language commercial satallite services

across Asia. Star TV and one partner, Today's Asia, would each hold 45

Media analysts sald it was not clear wbether Star TV's tie up with its Hong Hong partners would advance its ambitions in

year and is finding advertising revenues thin for its Asia-wide

"relationships and connections" would help the network realise its ambitions in China.

cent of the company, and has since added to his stake. The netork is crucial to News Corp's global television ambitions.

sport, popular entertainment and films to Chinese-speaking viewers across the region.

Mr Gary Davey, Star TV's chief executive, said: "We have always hoped that when the time was right Star would play e leading role in Chinese-language commercial television services."

Star TV's partners are not prominent in the region's media. Today's Asia was founded by Mr Chan Wing Kee, a textile manufacturer who is now developing media interests.

Falling Star's new move, Page 6

### Chinese market

Mr Rupert Murdocb's Hong Kong-based Star satellite television service unveiled a new broadcast network yesterday aimed at improving its access to the Chinese market. But Beijing officials were scep-tical about Mr Murdocb's latest

ettampts to secure e stronger presence on the mainland, where be has been frustrated in his efforts to develop a subscription

ners for a new service.

per cent equity in the venture. China Wise International, the third partner, would account for the remaining 10 per cent.

China. It is trying to persuade the authorities to grant Star TV access to China's rapidiy expanding subscription cable services. Star TV is losing about \$100m a

revenues thin for its Asia-wide services. It sees cable subscrip-tion, especially in China, as criti-cal to halting losses. In Hong Kong, a Star TV repre-sentative said the company was "confident" its new partners'

Mr Murdoch paid about \$525m for Star TV in 1993 for 63.5 per

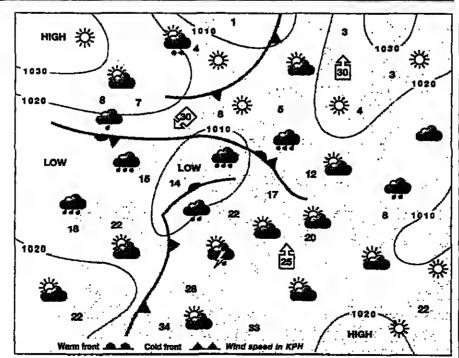
Star TV said the Phoenix service would be broadcast on both AsiaSat I and AsiaSat II. Broadcasts would begin this weekend and would replace the existing Star TV Chinese channel. The Phoenix service would eventually provide three channels, offering

**Europe today** 

East of the system, increasing north-easterl winds will bring colder and direr oir to the Senelux, northern Germany and the British Isles. This will give sunny intervals with rain or hail showers over easiem England and Scotland, Maximum temperatures of 4C-9C will be below normal, France, the Alps and southern Germany will have rain or showers with milder lemperatures. Sunny periods will raise temperatures in Spain to 20C in places. Portugal will have showers and will be chilly. Italy will start rather sunny with a risk of thunder showers later.

#### Five-day forecast

Colder and diner air over north-west Europe the Alps will gradually be replaced by dry weather with sunny penods. Temperatures witall, giving a risk of light frost at night. Active low pressure over the Mediterranean and the Balkans will cause many showers. Spain and Portugal will remain mostly dry with sunny penads. It will not be very warm, with temperatures between 14C and 21C



#### TODAY'S TEMPERATURES



We can't change the weather. But we can always take you where you want to go.

Lufthansa

Hangoon
Haykiswik
Flo
Rome
Seoul
Singapore
Stockheim
Strasboun
Stydney
Tangler
Tel Aviv
Tokye
Venne
Venne
Wersaw
Westingto
Winnipag 36 4 30 19 18 13 13 15 15 19 14 14 2 8 15 12 5 11 15

#### THE LEX COLUMN

### Philips unplugged

The problems that provoked Philips' profits warning yesterday should have come as little surprise. Weak consumar electronics markets in continental Europe are hardly a new phenental Europe are hardly a new phe-nomenon, and slower growth in the personal computer market has been well documented. It is therefore tempt-ing to suggest that the 11 per cent drop in Philips' shares is a dramatic over-reaction, particularly since other European semiconductor manufactur-

ers' shares were unaffected. Nonetheless, the current ontlook is bleak and Mr Jan Timmer, Philips' president, has some pressing problems to resolve before he bows out in October. Rising stock levels on a seasonally adjusted basis provide cause for concern, and the company needs to do more to rationalise its manufacturing base given the highly compatitive

There is an easy option for Mr Tim-mer if he wants to go ont on a high note. If one subtracts the market value of listed subsidiaries and associates, Philips is trading on around three times prospective 1996 earnings, even after sharp cuts in forecasts yesterday. By demerging its 75 per cent owned record business PolyGram, which offers no material synergistic benefits. this valuation would inevitably improve. And the demerger of the mature but cash-generative lighting husiness could also anhance shareholder value. Otherwise, the shares will remain at a discount until the management demonstrates that its restructuring of troubled German sub-sidiary Grundig is on target and that the consumer electronics division is capable of sustained profitability.

The joyous response of the German bond market to this weekend's state elections is understandable – but short-sighted. Investors were relieved at the clear strengthening of Chancellor Helmut Kohl's position. Some even hope that it will fortify him to take the painful decisions needed to cut the country's budget deficit. This will not be easy, since the opposition Social Democratic party still has enough power to be a serious headache. Moreover, the Free Democrat party, Mr Kohl's coalition partner, attracted an unexpectedly large share of the vote. This is likely to strengthen its hand in

keeping taxes down, closing off one obvious opportunity for deficit-cutting. Much the biggest worry for bondholders, though, surrounds European monetary union. It is often argued that Germans will refuse, when it **Philips** Share price relative to the AEX index

strong D-Marks for flimsy euros. Their worries are certsinly a much more concrete discipline than the specific targets in the Maastricht treaty. But Sunday's election result calls into question whether even German public opinion is that big e hurdle. At any rate, the SPD's attempt in one state, Baden-Württemberg, to campaign on the threat to D-Mark presented by Emu flopped. This makes it less likely that the opposition party will pursue an anti-Emn line in future.

This, combined with the confirma-tion of Mr Kohl's political clout, increases the likelihood that the German people will be persuaded to accept Emu, even if the Maastricht criteria are not met to the letter. For German bond-holders, this is not much of a cause for celebration.

#### Halifax/Clerical Medical

The victory of the Halifax Building Society in the bidding contest for Clerical Medical is unexpected. Unlike other bidders, Halifax cannot slash costs by shedding jobs in overlapping husinesses. A bidder with a cost-cutting agenda might have been expected io pay more: that leaves the lurking

suspicion that Halifax has overpaid. Clerical Medical has a good invest-ment record and a strong name, but it lost money on the writing of new hustness last year. Furthermore, it is short of capital - It has had to sell equities in order to meet solvency requirements - so despite its contention that It is selling from a position of strength, Clerical was under some pressure to do a deal. And the group must be pleased with the deal it has done, which allows existing senior management to hold on to their jobs and keeps the company and the brand intact, under the Halifax umbrella

from a seller's market, potential bidders for life assurers include Abbey National, Woolwich, Prudential, Nat-West and Sun Alliance.

That said, the price tag of £800m does not look excessive. It represents e premium of £140m above the value of the funds. But there will be some cost savings. Halifax Life currently farms out its administration; bringing that in-house is expected to save an estimated £10m or more a year. The internal review under wey at Clerical should yield further savings.

The question is whether Halifax should have waited for larger prey. But prices are likely to go np, as competition for the few reasonably large mutuals currently on the block inten-sifies. And the deal is strategically sound. At flotation, Halifax will be a broad personal financial aervices com-pany, well pleced to adapt to a rapidly shifting personal savings market.

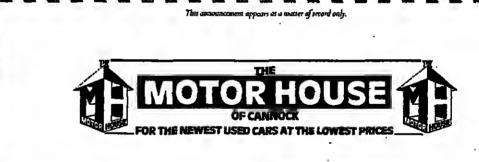
If the British government manage to avoid slaughtering large numbers of cattle, the scare for the gilts market will take on much more manageable proportions. Without the need to import huge volumes of dairy prod-ucts, the effect on inflation would be muted; it could even be benign. Exports would be hit, but this is as likely to be good as bad for gilts. Gov ernment borrowing would probably still rise; propping up beef prices will cost money, and only part of the cost is likely to be shared by the European Union. But the damage to government finances would be far smaller than if parts of the herd had to be culled.

The markets, though, are unlikely to be in a hurry to sign up fully to this, rosy scenario. For a start, having admitted that the problem is serious, the government – apparently caught on the hop – now gives the impression. of not wanting to do much about it. The net result is another blow to its

More importantly, however much the government wants to turn its back on the problem, it may not succeed.

Given yesterday's EU ban, consumption of British beef is likely to remain chronically depressed. If so, the government may have little choice but to revert to options involving large-scale culling. Given the history of the problem, it is certainly likely to take more than ministers' soothing words to

Additional Lex comment in



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